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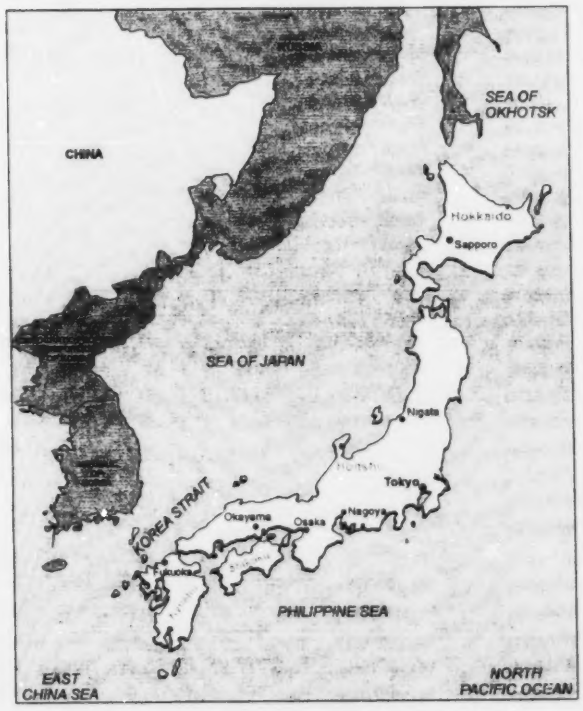
DAIRY EXPORT MARKET ASSESSMENT

JULY 2001

VALUE ADDED DAIRY PRODUCT MARKET

JAPAN



Dairy Section
Agricultural Industry Services Directorate
Market Industry Services Branch

Executive Summary

Japan is an island country forming an arc in the Pacific Ocean to the east of the Asian continent. It is made up of four large islands (in order of size, Honshu, Hokkaido, Kyushu and Shikoku) together with many smaller islands. The surface of the main islands consists largely of mountains separated by narrow valleys. The Pacific Ocean lies to the east. The Sea of Japan and the East China Sea separate Japan from the Asian continent.

Japan's total land area is about 378,000 square kilometers. It is approximately the same size as Germany, Finland or Malaysia. Located within a geologically active region, Japan sustains approximately 1,000 minor earthquakes per year. Several of Japan's mountains are active volcanoes.

The dairy sector in Japan is a mature industry and has similarities with the Canadian dairy sector. The Canadian dairy industry has had a long trading relationship with Japan in the area of dairy genetics with Canada exporting high performance dairy animals, embryos and dairy semen.

There are approximately 35,400 dairy farms in Japan. The number of dairy farms has been falling by 5% annually, while farm size has been increasing. The nation's average dairy herd has 51 head, while the average for the Hokkaido prefecture is 85 head. Hokkaido prefecture accounts for more than 40% of Japan's total milk production. Raw milk production has been fairly stable at about 8.5 million tonnes. Approximately 60% of production is manufactured into fluid milk, while the remainder is processed into other dairy products (mainly skim milk powder, cheese, butter, ice cream and yogurt).

Japanese consumers expect high quality for the products and services offered in the market. For fresh and processed food, they often value the freshness, the genuine taste, nutritional value and whether or not it is seasonal.

Market opportunities exist for Canadian dairy products; particularly for specialty cheese, frozen yogurt and calcium added milk and dairy beverages. Also, markets exist for dairy components such as whey, casein and lactose.

Cheese consumption in Japan has increased in the last twenty years. According to the Ministry of Agriculture, Forestry and Fisheries (MAFF), cheese consumption now totals about 243,717 tonnes. The greatest growth has come in imported cheese for direct consumption.

Cheese for direct consumption (i.e cheese other than that used as raw ingredient for processed cheese) reached 127,858 tonnes in 1999, with more than 85% of that cheese being imported. The most popular cheeses imported into Japan are cream cheese, cheddar, mozzarella, camembert, brie, gouda, edam and samsoe. In contrast, most processed cheese is domestically made with both domestic and foreign raw ingredients. The most common types of cheese used in the manufacture of processed cheese are gouda, cheddar and edam.

Japan has the highest ice cream consumption of any country in the Pacific Rim. In 1999, it was 825,700 kl. For years now, ice cream sales volumes have fluctuated only slightly, and the market itself has been slow. The main factors affecting the sluggish sales volumes are continuous cool summers since 1995, food poisoning, lower consumption during a recession, and the unpopularity of new products. Consumers have also switched to low-calorie healthier alternatives such as frozen yogurt and chilled dairy drinks. At the same time, the younger generation, which consumes most of the ice cream, has been decreasing.

There is a growing trend away from traditional foods to new higher-value products like yogurt, desserts and cheese. Consumers are more aware of product safety, packaging, hygiene and convenience. While there is a market for yogurt, imports of fresh yogurt are hampered by high tariffs and transportation costs.

An expanding market for high-value whey ingredients exists in various countries, including Japan and Korea. Both countries focus on the price of food ingredients. At the same time, Japanese and Korean consumers want foods with greater health-enhancing benefits. Demand also exists in non-traditional sectors such as the bakery, confectionery and beverage industries.

In Japan, milk is consumed for its health benefits, especially calcium. Milk beverages and calcium-added milk present a market opportunity in Japan. Production of homogenized milk is relatively stable, but production of low-fat milk and milk beverages (flavoured milk and calcium-added milk) is increasing.

The Japanese market is full of goods and information, and consumers' trends are branching out. However, due to the ongoing economic recession, consumption has decreased and people tend to buy cautiously. A key factor in successfully becoming a player in the Japanese market, under these conditions, is having a firm grasp of consumer demand and providing them with what they want.

Acknowledgment

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NOTICE

Although every effort has been made to ensure that the information is correct, Agriculture and Agri-Food Canada assumes no responsibility for its accuracy, reliability or for any decisions arising from the information contained herein.

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Japan

RUSSIA
SEA OF OKHOTSK
CHINA
Sapporo
DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA
SEA OF JAPAN
Nigata
REPUBLIC OF KOREA
Tokyo
KOREA STRAIT
Okayama
Osaka
Nagoya
Fukuoka
PHILIPPINE SEA
EAST CHINA SEA
NORTH PACIFIC OCEAN

I. GENERAL OVERVIEW

1.1 Location and Geography

Japan is an island country forming an arc in the Pacific Ocean to the east of the Asian continent. It is made up of four large islands (in order of size, Honshu, Hokkaido, Kyushu and Shikoku) together with many smaller islands. The surface of the main islands consists largely of mountains separated by narrow valleys. The Pacific Ocean lies to the east. The Sea of Japan and the East China Sea separate Japan from the Asian continent.

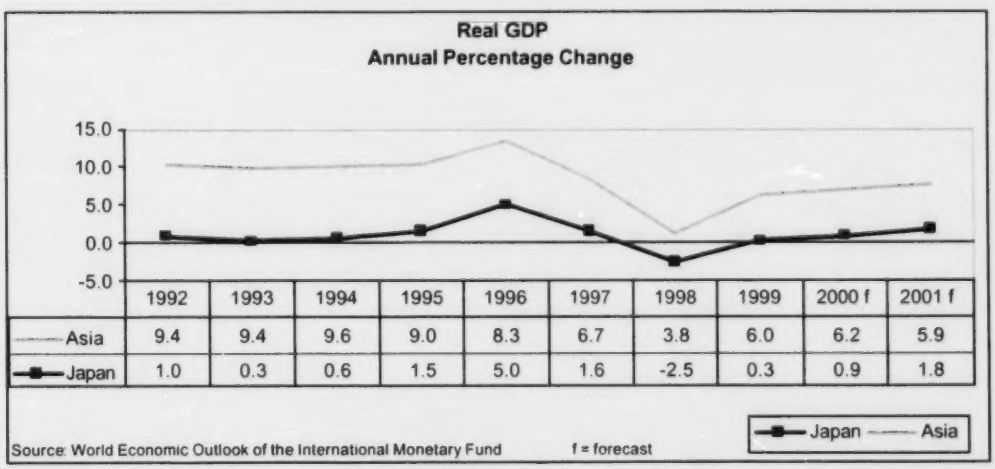
Japan's total land area is about 378,000 square kilometers. It is approximately the same size as Germany, Finland or Malaysia. Located within a geologically active region, Japan experiences approximately 1,000 minor earthquakes every year. Several of Japan's mountains are active volcanoes.

1.2 Economy

Even though Japan is just emerging from a period of recession, it is still quite influential in the international sphere. Japan's economy is second to that of the United States. Its affluent and well-educated population of 126.5 million represents a sophisticated and highly competitive market.

While the Japanese economy is clearly still sluggish, there are growing signs of recovery. According to the *World Economic Situation* of the International Monetary Fund,[1] real gross domestic product (GDP) rose by 0.3% in 1999, and increases of 0.9% and 1.8% are forecast for 2000 and 2001 respectively. Figure 1 shows the real GDP of Japan and Asia as a whole.

Figure 1 - Real GDP of Japan and Asia



	1992	1993	1994	1995	1996	1997	1998	1999	2000 f	2001 f
Asia	9.4	9.4	9.6	9.0	8.3	6.7	3.8	6.0	6.2	5.9
Japan	1.0	0.3	0.6	1.5	5.0	1.6	-2.5	0.3	0.9	1.8

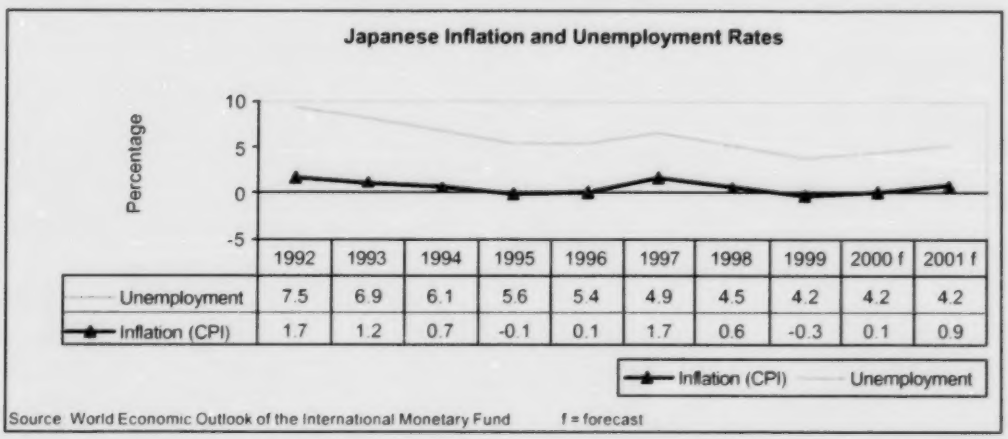
Source: World Economic Outlook of the International Monetary Fund f = forecast

[1]Source: www.imf.org , under "Publications".

Japan's economy faces slower growth this year, mainly because of its domestic problems. In August 2000, the Bank of Japan ended its 18-month-old zero-interest rate policy by raising rates to 0.25%. December 1999 showed unfavourable data, with industrial production down, deflation pushing prices lower and unemployment rates edging higher.

In the past, Japan's economic growth kept the unemployment rate very low. There was almost full employment. The employment situation has now changed dramatically, as unemployment remains at high levels. Figure 2 shows the level of inflation and unemployment rate for the years 1992 to 2001 (forecast).

Figure 2 - Japanese Inflation and Unemployment Rates

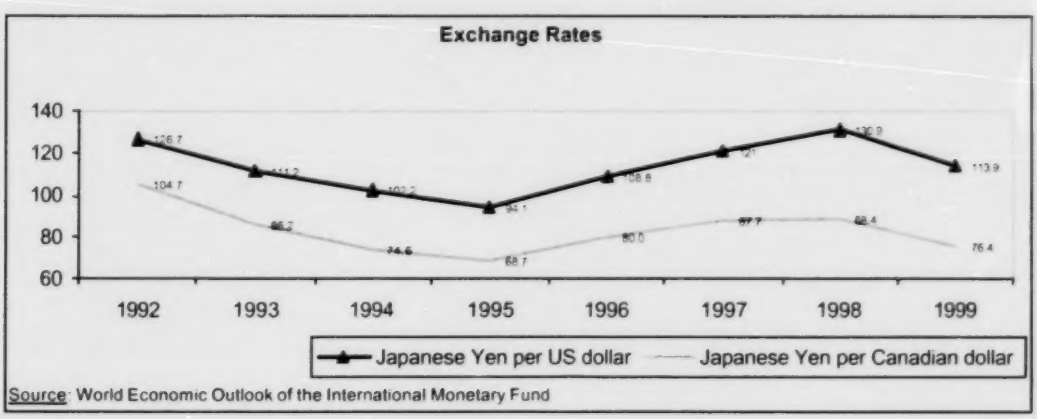


	1992	1993	1994	1995	1996	1997	1998	1999	2000 f	2001 f
Unemployment	7.5	6.9	6.1	5.6	5.4	4.9	4.5	4.2	4.2	4.2
Inflation (CPI)	1.7	1.2	0.7	-0.1	0.1	1.7	0.6	-0.3	0.1	0.9

Source: World Economic Outlook of the International Monetary Fund f = forecast

Figure 3 shows the exchange rates for the Japanese yen in relation to the US and Canadian dollars.

Figure 3 - Exchange Rates



Source: World Economic Outlook of the International Monetary Fund

1.3 Relations with Other Countries

As a major trading country, Japan maintains close relations with other countries through bilateral consultations as well as meetings held within the framework of regional initiatives such as the Asia-Pacific Economic Cooperation (APEC) and Asia-Europe Meeting (ASEM). Japan believes that this helps world trade, thereby contributing to the development of the global economy.

Canada-Japan relations are supported by both countries' participation in multilateral institutions: the G-7/8, the United Nations, the Organization for Economic Co-operation and Development (OECD), and the Quad (Canada, the European Union, Japan and the United States). Canada and Japan also share a common interest in the Pacific community through their participation in the Asia-Pacific Economic Cooperation (APEC) forum and the Association of South East Asian Nations Regional Forum (ARF).

Canada and Japan also have their own forum. The Canada-Japan Forum is a non-governmental consultative body advising governments of both countries on ways of developing their political, economic and cultural ties. Annual meetings were held in Victoria, British Columbia in 1997, Sapporo, Japan in 1998, Ottawa in October 1999, and in Japan in the fall of 2000.

Trade relations between Japan and the United States have improved over the past three years as a result of a significant decrease in the US trade deficit with Japan. Growth of US exports to Japan and the settlement of individual trade disputes in the areas of automotive and auto parts, semiconductor products and insurance services have helped to better relations between the two countries.

Japan and the European Union conduct regular meetings at various levels and exchange views on their respective economic situations, bilateral trade and investment issues. The Japan-EU bilateral relations mainly take the form of cooperative dialogue.

Japan is not part of any preferential regional agreements and does not offer preferential tariffs to any country or region, except those extended to developing countries under the Generalized System of Preferences (GSP).

II. CONSUMERS

2.1 Population

Japan's population totals approximately 126,182,077. Half the nation's population is concentrated in three large metropolitan areas, i.e. Tokyo, Osaka and Nagoya. Almost 25% of the population lives in Tokyo (the capital), which alone accounts for 1/3 of GDP (estimated at US $23,100 per capita). Tokyo, in addition to being the centre of government and business, offers the single largest consumer market with a common language among the developed economies.

The age structure in Japan[2] is as follows:

0-14 years:	15% (male 9,697,851; female 9,242,027)
15-64 years:	68% (male 43,405,024; female 43,023,885)
65 years and over:	17% (male 8,686,347; female 12,126,943)

2.2 Food Consumption

In the past, Japanese, compared to North Americans, purchased much more fresh food that required preparation at home. They would buy large quantities of fresh produce daily.

The level of self-sufficiency in caloric intake, i.e. Japan's capacity to produce enough food to feed its population, has plummeted in recent decades. It now stands at 40%, or about half the level of 1960. It is the lowest among the developed nations in the world. The decline in self-sufficiency is partly attributed to the change in consumer tastes. Japanese are consuming more meat and poultry as well as other foods imported from abroad. They are beginning to show an appreciation of cuisine from other countries.

Breakfast customs are important in Japan. Over half of Japanese people eat some kind of traditional breakfast, and those who are pressed for time simply have miso soup. Trends among young couples and singles show that these people are the most likely to eat Western-type breakfasts on a daily basis, leaving traditional Japanese breakfasts for the weekend.

Foods are also being developed for the aging society. An aging society is defined as a society where 1 out of every 4 persons is over 65 years of age. By 2010, Japan will have the world's highest percentage of people over 65. This segment will rise to 25% by 2018 and peak in 2045 at 28.4%. As a reflection of this trend, the population is increasingly receptive toward health-oriented products, including foods for specified health uses (FOSHU). These products are being developed with active ingredients that "regulate physical condition" etc. Emphasis is being placed on foods that are easy to digest, with a balanced mineral and vitamin content, low calories and traditional Japanese flavours. Japanese are concerned about the safety of food products and are showing a growing preference for healthy foods that contain less salt, less sugar and less fat. Milk and dairy products are taken primarily as nutritionally necessary food.

2.3 Characteristics of Japanese Consumers[3]

The following are statements made by marketers to describe the characteristics of Japanese

[2]Information obtained from the CIA- World Fact Book (http://www.odci.gov/cia/publications/factbook/)

[3]Information obtained from the Japan Information Network (http://jin.jcic.or.jp/insight/index.html)

consumers in general:

2.3.1 Quality

Japanese consumers expect standard products and services on the market to be of good quality and they demand high quality for highly priced products and services. Even minor flaws or defects bother some consumers. Japanese often look for freshness, genuine taste and nutritional value in fresh and processed foods. They also prefer products that are in season.

2.3.2 Price

Generally, Japanese support reasonably priced products. However, if the quality is in question, they tend to look for better-quality alternatives even if it means paying a little more. They want good value.

2.3.3 Fashion and Fads

The Japanese are keenly interested in fashion and fads. More than anything, they want to be well informed about what is in style. Some consumers, especially the younger generation, take pride in following fashion trends. Fads often develop around new products and are promoted through highly visible activities such as television commercials or magazine ads. Japanese also look up to so-called celebrities and try to keep up with the latest in fashion.

2.3.4 Brands

Japanese consumers, especially in Tokyo, are very much "brand conscious." A well-known fashion or designer brand signifies a history and tradition of quality and superior workmanship. They feel that when they buy brand goods and services, they are getting goods and services that are durable and reliable. They also take comfort in the belief that brand producers will stand behind their goods and services by offering after-sales repair and service.

2.3.5 Origin

For fresh food items, Japanese are very particular about where they are grown or caught. For example, Japanese consumers choose rice, their daily staple, on the basis of the geographical region where it was grown (e.g. Nigata prefecture). Pork from a particular region is much sought after even if it is considerably more expensive than pork from other regions. Beef from a number of well-known cattle regions can also command lofty prices.

2.3.6 Safety

Safety may be the single most important criteria by which most Japanese choose their products. This makes Japanese consumers examine very carefully not only what is in the products but also where they are produced and how they are processed.

III. JAPANESE DAIRY INDUSTRY

3.1 MILK PRODUCTION

There are approximately 35,400 dairy farms in Japan. The number of dairy farms has been falling by 5% annually, while farm size has been increasing. The nation's average dairy herd has 51 head, while the average for the Hokkaido prefecture is 85 head. Hokkaido prefecture accounts for more than 40% of Japan's total milk production. Raw milk production has been fairly stable at about 8.5 million tonnes. Approximately 60% of production is manufactured into fluid milk, while the remainder is processed into other dairy products (mainly skim milk powder, cheese, butter, ice cream and yogurt).

According to the Australian Dairy Corporation (ADC), Australia supplies 40% of Japan's skim milk powder. The remainder comes from New Zealand, France and Canada. According to the ADC, Japan remains Australia's largest market for dairy exports.

3.1.1 Livestock Industry Bureau

The Livestock Industry Bureau promotes various measures relating to the production, distribution and consumption of milk and dairy products (e.g. cheese and butter), meat products, (e.g. beef, pork and chicken), and other livestock products (e.g. eggs and honey). The Bureau specifically aims to improve and increase the production of livestock, improve the financial situation of livestock farmers, promote price stability for livestock products, improve the distribution and consumption of livestock products, create and improve grasslands, ensure the safety of feeds and medicines for animal use, prevent and control infectious diseases of animals, conduct import and export quarantine of animals and animal products, and provide guidance and supervision for veterinarians and national and regional public horse racing organizations.

3.1.2 Japan Dairy Genetics

The Japanese Dairy Herd Improvement Program (DHIP) began in 1974. Over 95% of dairy cows in Japan are Black and White Holstein-Friesians. The national dairy animal breeding program thus emphasizes the genetic improvement of Japanese Holsteins. The herd book registration for Holsteins dates back to 1918.

In 1984, the Ministry of Agriculture, Forestry and Fisheries (MAFF) and 2 Japanese artificial insemination centres, i.e. the Livestock Improvement Association of Japan (LIAJ) and the Hokkaido Livestock Improvement Association (HLIA), started a combined dairy sire progeny test program and 45 young Holstein bulls were chosen. Semen from these bulls was distributed randomly so that each bull would have 50 daughters throughout the country. Later, 3 Japanese artificial insemination centers, i.e. the Japan Holstein Breeding Service (JHBS), Tokachi Artificial Insemination Centre (TAIC), and All Japan Breeders Service (AJBS) joined in this program. To increase the selection pressure on bulls, the number of tested bulls has risen gradually since 1992 and 185 bulls are sampled every year, even though the target number of daughters per bull dropped to 35. To enhance

the reliability of bull evaluations, the target number of daughters has again been increased to 50 since 1995 (LIAJ, 1998).

In 1989, the first national genetic evaluation was released from LIAJ with a single-trait sire-maternal grand sire model. Evaluations of 7 production traits for Holstein bulls, i.e. milk (kg), fat (kg, %), SNF (kg, %), protein (kg, %) and 20 type traits (5 scores and 15 linear traits), have been released semi-annually.

With the addition of research activities directly related to livestock production, the National Livestock Breeding Stations were restructured to become the National Livestock Breeding Centre (NLBC). National genetic evaluation became one of the centre's responsibilities in 1992. The change was also made in order to increase the transparency of genetic evaluation by separating the evaluation process from artificial insemination centres. Using a single-trait animal model, the same traits (7 production and 20 type traits) were evaluated (Isogai et al., 1993). The evaluation models for production traits were later modified in 1996, introducing multiplicative age parity pre-adjustments (NLBC, 1995). In 1997, new evaluations for temperament, milking speed and calving ease were started using threshold sire / sire-maternal grand sire models.

3.1.3 The National Livestock Breeding Centre (NLBC)

The National Livestock Breeding Centre (NLBC) and its stations, whose activities focus on improving and increasing the production of livestock animals, have 12 locations nationwide. Four NLBC stations, i.e. Nikappu, Tokachi, Iwate, and Miyazaki, work together to promote dairy cattle breeding. Bulls are identified through progeny testing and semen is then supplied to farmers throughout Japan to breed Holstein under the artificial insemination and embryo transfer programs. The Iwate station breeds Jersey cattle. In addition, the National Veterinary Assay Laboratory and Animal Quarantine Stations, which carry out inspections of drugs for animal use and imported animals respectively, are located throughout the country. Artificial insemination and embryo transfer are essential for the production of high-quality animals to promote a strong livestock industry in Japan. The NLBC uses technology such as Multiple Ovulation and Embryo Transfer (MOET) to multiply quality breeding animals, which it subsequently supplies to farmers.

Genetic evaluation is an important tool for the genetic improvement of livestock animals. The National Livestock Breeding Centre develops dairy cattle evaluation systems and implements routine evaluations of the genetic ability of bulls and cows using the Best Linear Unbiased Prediction (BLUP) model, based on extensive field data from all over Japan. Dairy cattle evaluation is implemented twice a year, in February and August, using milking records provided by the Dairy Herd Improvement Program through the secretariat of the Livestock Improvement Association of Japan Inc., and type classification records provided by the Holstein Cattle Association of Japan Inc. The evaluation results are officially published. The effect of various non-genetic factors are corrected and pedigree information is considered in the evaluation system. Evaluations for imported semen are published but are not recognized as official proofs.

3.1.4 Milk Recording Program

According to the Livestock Improvement Association of Japan Inc., in 1975, there were 6,721 Holstein cows registered in an official milk recording program, producing an average of 5,826 kg of milk. In 1995, 276,856 Holstein cows were registered in official milk recording programs, producing an average of 8,282 kg of milk. Cows not enrolled in official milk recording programs produced 900 kg less milk than their registered counterparts in 1975 and 2,255 kg less in 1995. The milk production of the cows not enrolled rose from 4,926 kg in 1975 to 6,027 in 1995, which means that the production increase was also smaller than that of their registered counterparts. As of March 1999, there were 518,940 cows in a supervised milk recording program.

Currently, there are 1.17 million Holstein cows producing over 8.5 million tons of milk. As in other countries, the industry is emphasizing protein. In Japan, 60% of the total production is consumed as table milk. Although per capita fluid milk consumption has not changed much, people tend to consume about 5% more cheese every year. The dairy industry is therefore aiming to increase milk production with high components content, with fat being almost as important as protein.

Breeders have traditionally placed a heavy emphasis on type, and until seven or eight years ago invested large sums in superior genetics from North America. The most important traits in order of importance are udders, feet and legs, followed by size. Needless to say, all breeders are focussed on long herd life, more lifetime production and profitability. Breeders are also aiming to produce healthier milk and products, since this is what consumers want.

3.1.5 Classification Program of the Holstein Cattle Association of Japan (HCAJ)

Following the recommendation of the World Holstein-Friesian Federation, several changes were made to the classification program of the Holstein Cattle Association of Japan (HCAJ). The classification of teat length (linear) began in 1993, and the classification for general appearance was separated into appearance and feet and legs (score) in 1994. In 1995, the classification for rump length (linear) was terminated. Following these changes, genetic evaluations for general appearance and rump length were ended in 1994, and with the accumulation of sufficient data, the evaluation of three new traits began in 1997. HCAJ also began type classification for rear legs, rear view, in 1997, and genetic evaluation started in 2000. Table 1 provides a summary picture of dairy farms, milk recording, herdbook registration and genetic evaluation in Japan in 1999.

Table 1 - Dairy Farms, Milk Recording, Herdbook Registration and Genetic Evaluation in Japan

Dairy Farms, Milk Recording, Herdbook Registration and Genetic Evaluation in Japan	
Total (February 1999)	
Number of dairy farms	35,400
Number of dairy cows	1,816,000
Milk recording (March 1999)	
Number of dairy farms	12,221
Supervised	12,050
Owner sampler	171
Number of dairy cows	524,932
Supervised	518,940
Owner sampler	5,992
Herdbook registration	
Number of cows registered in 1998	161,000
Genetic evaluation (August 1998)	
Number of records	4,644,995
Number of cows with records	1,845,451

* Monthly test, 2 samples a day (A4) only. There is no am-pm (AT) test in Japan.

SOURCE: National Livestock Breeding Centre and Japan Dairy Council

3.1.6 Dairy Genetics Subsidy Program

Japan introduced a Dairy Genetics Subsidy Program in mid-1998 to subsidize the use of semen from proven dairy bulls and thus give Japanese farmers incentive to improve the dairy traits of their animals. Initially, the subsidy applied only to semen from Japanese domestic bulls, but after foreign intervention (Canada and United States), the Ministry of Agriculture, Forestry and Fisheries (MAFF) revised the listing of approved sires to include some foreign sires and made the subsidy measures retroactive to July 1998.

In 2000, Japan discontinued the Dairy Genetics Subsidy Program, which will improve access for Canadian bovine semen. Canada has a 23% share of the Japanese import market.

3.1.7 Domestic Animal Infectious Disease Control Law

The Domestic Animal Infectious Disease Control Law aims to promote the livestock industry by preventing the outbreak and spread of contagious diseases (including those caused by worms or other verminous or parasitic organisms) among domestic animals (Article 1). Import semen cargo

is to be regulated (specified for quarantine).

3.2 MILK PROCESSING

There are approximately 877 processing facilities located throughout Japan. Appendix I provides a list and brief description of the main Japanese dairy manufacturers. About half of these manufacturers handle less than 62 tonnes of milk, 15% handle between 62 and 310 tonnes, 8% between 310 and 620 tonnes, 10% between 620 and 1,200 tonnes, and 17% more than 1,240 tonnes. Table 2 shows the number of Japanese dairy processing plants by product manufactured for 1999.

Table 2 - Number of Japanese Dairy Processing Plants, 1999

Dairy Products	Condensed Milk	Evaporated Milk	Whole Milk Powder	Skim Milk	Butter	Cheese	Ice Cream
215	39	14	28	43	69	83	131

Source: Japan Dairy Council - Japan Dairy Farming, September 1999

3.3 CHEESE

3.3.1 Market Size

Cheese consumption in Japan has increased in the last twenty years. According to the MAFF, cheese consumption now totals about 243,717 tonnes. The greatest growth has come in imported cheese for direct consumption. Table 3 shows the trends in cheese demand in Japan from 1993 to 1999.

Cheese for direct consumption (i.e cheese other than that used as raw ingredient for processed cheese) reached 127,858 tonnes in 1999, with more than 85% of that cheese being imported. The most popular cheeses imported into Japan are cream cheese, cheddar, mozzarella, camembert, brie, gouda, edam and samsoe. In contrast, most processed cheese is domestically made with both domestic and foreign raw ingredients. The most common types of cheese used in the manufacture of processed cheese are gouda, cheddar and edam. According to JETRO,[4] 70% of the processed cheese is consumed at home, while 75% of other cheeses are used by the hotel, restaurant and institution (HRI) sector (Table 4).

[4] JETRO Japanese Market Report - Regulations and Practices - Cheese, p. 4.

Table 3 - Trends in Cheese Demand *Tonnes*

		1993	1994	1995	1996	1997	1998	1999
Total Cheese Consumption Volume *annual growth*		183,224 *5.2%*	189,500 *3.4%*	204,538 *7.9%*	216,423 *5.8%*	222,593 *2.9%*	234,050 *5.1%*	243,717 *4.1%*
Cheese for direct consumption *	Domestic production	11,559	11,897	11,690	11,723	13,812	14,827	15,977
	Imports	80,741	83,601	93,720	102,595	100,729	104,666	111,881
	Consumption	92,301	95,498	105,410	114,315	114,541	119,493	127,858
Processed cheese	Domestic production	88,251	91,137	94,737	97,653	103,269	108,902	109,975
	Imports	2,672	2,865	4,391	4,455	4,787	5,655	5,884
	Consumption	90,923	94,002	99,128	102,108	108,056	114,557	115,859
Cheese used as raw ingredient for processed cheese	Domestic production	20,439	19,080	19,049	21,438	20,378	20,093	20,537
	Imports	54,350	58,155	61,236	61,319	67,138	72,196	72,662
	Tariff Quota Potion	39,344	38,100	44,863	49,264	49,741	49,681	50,518

Source: Milk and Dairy Products Division, Livestock Industry Bureau, MAFF.

Note: * Direct consumption refers to cheese other than that used as raw ingredient for processed cheese.

Table 4 - Household Consumption and Commercial Use

	Household Consumption	Commercial Use
processed cheese	about 70%	about 30%
cheese for direct consumption	less than 25%	more than 75%
shredded cheese	about 20%	about 80%

SOURCE: JETRO

3.3.2 Cheese Producers

There are four major cheese manufactures in Japan: Snow Brand, Morinaga, Meiji, and Rokko Butter.

Snow Brand was the first firm to produce cheese in Japan (in 1933). In September 2000, Snow Brand Milk Products announced that it would be forging an alliance with the local subsidiary of Swiss food giant Nestlé.

Morinaga produces its own brand and also distributes Kraft cheese for the Japanese market through a joint venture. Processed cheese makes up the bulk of Meiji's cheese sales.

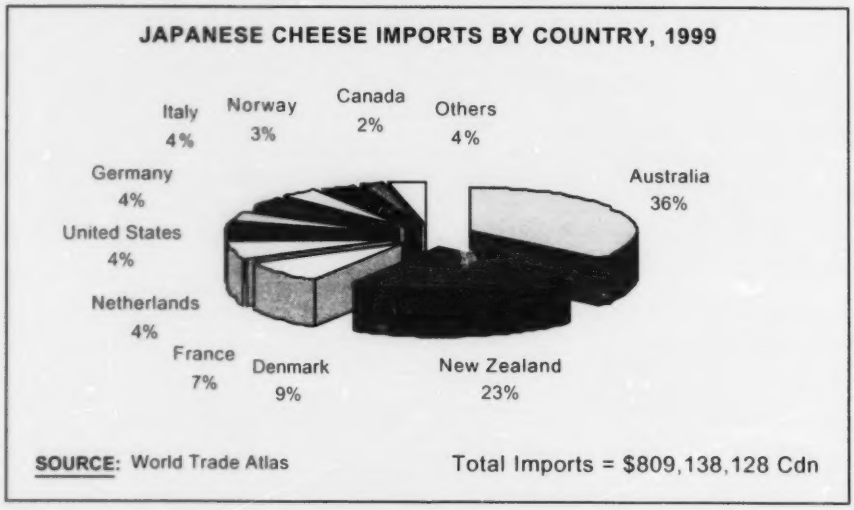
Rokko Butter has a long history of producing and importing cheese. The company's main selling cheese is processed cheese made with Australian cheese as raw material. Cheese accounted for 79% of Rokko Butter's unconsolidated revenues in 1998.

In addition to the four large cheese producers described above, there are many firms that import, distribute and/or market foreign cheese in Japan. Appendix II shows the major companies trading foreign dairy products in Japan.

3.3.3 Japanese Cheese Imports - Canada's Position and the Competition

The bulk of cheese imported into Japan comes from Australia (CAN $28,228,111 - 78,447,115 kg) and New Zealand (CAN $18,034,626 - 50,655,320 kg), which account for 59% of the market in the form of natural cheese. The remaining share comes mainly from European countries, with Denmark (CAN $78,411,418 -12,435,588 kg), France (CAN $5,488,799 - 4,917,716 kg), Netherlands (CAN $3,136,457 - 7,585,641 kg), Germany (CAN $3,136,457 - 7,821,074 kg), Italy (CAN $3,136,457 - 1,493,806 kg) and Norway (CAN $2,352,343 - 7,843,940 kg) together holding more than 30% of the market. Canada exports mostly cheddar cheese and currently holds a 2% market share (CAN $1,568,228 - 4,743,054 kg). Figure 4 shows the breakdown of the Japanese import cheese market in 1999.

Figure 4 - Japanese Cheese Imports by Country, 1999



Australia and New Zealand have distinct advantages over Canada and European countries in terms of freight and delivery time. Low price, flavour, consistent quality and supply capacity are key factors in selecting a supplier as far as raw ingredient cheeses are concerned.

3.3.4 Prices[5]

Table 5 lists 1999 retail prices for leading products on the Japanese market. Imported cheeses often sell in Japan at three to four times their price in overseas markets, mainly because of Japan's relatively high tariff on cheese and the high cost of air freight.

[5]All this section is taken from JETRO Japanese Market Report, p.7
*1 yen = 0.01309 Canadian dollar (1999 annual rate)

Table 5 - 1999 Retail Prices for Cheese

Type	Package Volume	Wholesale Price (¥en)*	Retail Price (¥en)*
Processed Cheese			
Carton-packaged	225 g	285	350
Carton-packaged (cut type)	180 g	250	300
Sliced (10 pieces per package)	190 g	280	340
Candy cheese	170 g	296	310
6P (6 pieces per package)	150 g	240	300
Baby-sized (20g * 4 pieces)	80 g	119	150
Stick cheese (12 g * 4 pieces)	48 g	84	105
Natural Cheeses			
Parmesan (grated cheese)	50 g	202	500
Shredded	200 g	288	180
Camembert	100 g	320	400
Cottage cheese	200 g	227	135
Cream cheese	250 g	320	160

Source: JETRO Japanese Market Report, Regulations and Practices, Cheese, p. 7.
Note: *One Japanese Yen = 0.01309 Canadian dollars (1999 annual rate).

The retail price of natural cheese sold over the counter in department stores and mass merchandiser outlets is generally 135-500 yen* per 100 grams (CAN $1.77 - $6.55). However, supermarkets and mass merchandisers hold the price down to under 500 yen per 100 grams (CAN $6.55).

3.3.5 Market Access

Japanese imports of natural cheese are subject to the tariff quota system under the provisions of Japan's Customs Tariff Law. Imports of natural cheese are tariff-free up to 2.5 times the volume of Japan's domestic cheese used for making process cheese. Imports of natural cheese in excess of that volume are subject to the secondary tariff rate (29.8%). Table 6 shows Japanese tariff rates on cheese for 2000. The tariff quota volume for the current fiscal year (April 2000 to March 2001), announced on March 31, 2000 in Japan's Official Gazette, is 56,700 tonnes. Quantities of natural cheese imported up to the tariff quota will be tariff-free. Quantities above the tariff quota are subject to a tariff of 29.8%.

Table 6 - Japanese Tariff Rates for Cheese, 2000

HS Code	Product Description	2000 Rate of Duty MFN
40610	Fresh cheese and curd	
-10	Pooled quota	Free
-20	Of dry matter content, not exceeding 48% by weight, cut into pieces of a weight not exceeding 4 g frozen, in immediate packings, of a content exceeding 5 kg	22.4%
-90	other	29.8%
40620	Grated or powdered cheese	
-100	of processed cheese	40%
-200	other	26.3%
40630	Processed cheese	40%
40640	Blue-veined cheese	
-10	Pooled quota	Free
-90	Other	29.8%
40690	Other cheese	
-10	Pooled quota	Free
-90	Other	29.8%

Source: 2000 Customs Tariff Schedules of Japan.

Notes: 1. Cheese is subject to a 5% value-added tax.
2. Cheese is governed by the Japanese Food Sanitation Law.

3.3.6 Distribution Channels

Cheese used as a raw ingredient for the production of processed cheese is imported mainly by the food divisions of general trading companies to supply domestic process cheese manufacturers. Domestic manufacturers use their own distinctive formulas to blend domestic and imported cheeses to manufacture various types of processed cheese that are suited to the tastes of Japanese.

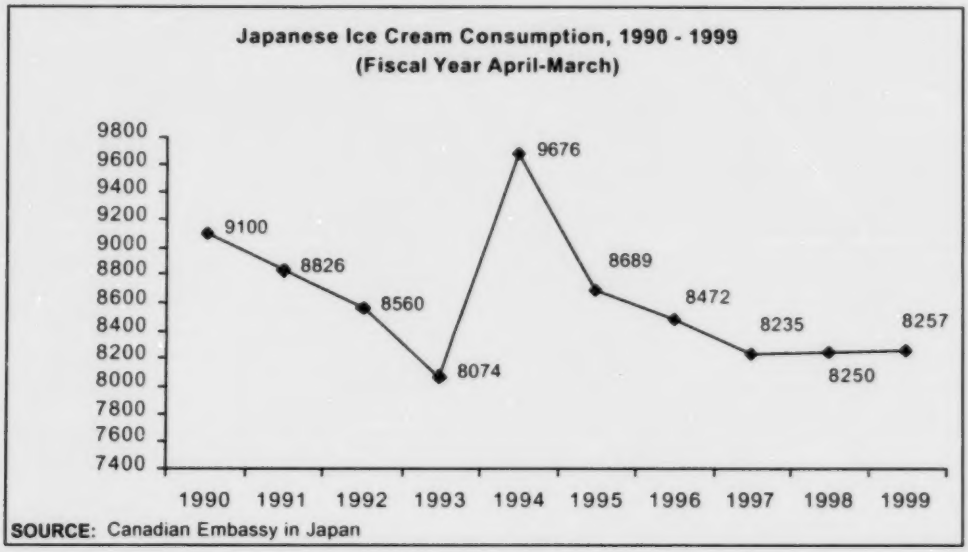
Cheese for direct consumption is generally imported by air freight or reefer container in whole or pre-cut sizes. When cheese is imported whole, it is cut to standard size and then distributed to food wholesalers, or sometimes directly to retail stores. Wholesalers are usually involved in distribution to retail stores since they have the necessary refrigerated storage equipment.

3.4 ICE CREAM

3.4.1 Market Size

Japan has the highest ice cream consumption of any country in the Pacific Rim. In 1999, it was 825,700 kl. For years now, ice cream sales volumes have fluctuated only slightly, and the market itself has been slow. The main factors affecting the sluggish sales volumes are continuous cool summers since 1995, food poisoning, lower consumption during a recession, and the unpopularity of new products. Consumers have also switched to low-calorie healthier alternatives such as frozen yogurt and chilled dairy drinks. At the same time, the younger generation, which consumes most of the ice cream, has been decreasing. Figure 5 shows Japanese ice cream consumption for the years 1990 to 1999.

Figure 5 - Japanese Ice Cream Consumption, 1990 - 1999



SOURCE: Canadian Embassy in Japan

Two-litre ice cream packages are sold in supermarkets and convenience stores, while institutional packages are supplied to restaurants by dairy companies either directly or through wholesalers. It is estimated that only 10% of ice cream in Japan is sold at specialty shops such as Baskin and Robbins 31 Ice Cream (as it is known in Japan). Consumers prefer the very popular multiple packages, since most ice cream is taken home. The leading flavours among all ages and with both genders are vanilla and chocolate. Chestnut, grape and peach are growing in popularity, and women especially are fond of green tea flavours.

It is not common practice in Japan to eat desserts (including ice cream) after meals. Ice cream is therefore usually consumed between meals or served as a treat to children. Table 7 shows the types of ice cream packaging sold in 1999.

Table 7 - Types of Packages Sold in 1999

Types of Packages	Kilolitres*
Multi-package usually contains 6 to 10 sticks	214682
Small paper cup usually in a range of 120 ml to 180 ml	163489
Small plastic cup of similar size	110644
Institutional use	75964
Stick type	69359
Pre-packed with corn	60276
Monaka (ice cream filled between cup-type puffs)	45414
Litre ice cream package	18991
Other	66882
Total	825701

SOURCE: Japan Ice Cream Association
* 1 kilolitre = 1,000 litres

The importation of ice cream into Japan is administered not only by the Food Sanitation Law but also by the JAS Law (i.e., the Law on Standardization of Agricultural and Forestry Products and Rationalization of Labelling). The Ministry of Ordinance of Regulations on Ingredients of Milk and Dairy Products (under the FSL) develops standards for ice cream ingredients (Table 8).

Ice cream is subject to labelling standards under the Law for Standardization of Agricultural Goods and Appropriation of Labelling. Products imported into Japan must comply with Japanese regulations. Japan has very strict regulations on ingredients. Products must therefore be fully described and identified.

To meet ice cream import requirements, the manufacturer must provide detailed information on ingredients, additives and manufacturing methods. Japan does not approve the use of emulsifiers, colouring agents and other additives used in ice cream.

Table 8 shows the product definition and composition standards for ice cream ingredients.

Table 8 - Standards for Ice Cream Ingredients

	DEFINITION	TYPE	STANDARDS FOR INGREDIENTS			
			Milk solids	Milk fat (within milk solid)	Colon bacillus	Bacteria
Category of Ice Cream	Made from milk etc. or mainly materials, frozen, and containing more than 3% milk solids	Ice Cream	More than 15.0%	More than 8.0%	Negative	Under 100,000/g
		Ice Milk	More than 10.0%	More than 3.0%	Negative	Under 50,000/g
		Lactic Ice	More than 3.0%	--	Negative	Under 50,000/g

SOURCE: Marketing Guidebook 2000

Table 9 below shows Japan's domestic ice cream production (quantities and value of sales).

Table 9 - Japan's Ice Cream Market (Quantities and Value) - Domestic Production Only

Japanese fiscal year	Ice cream		Ice milk		Lacto-ice		Sweetened crushed ice		Total		Amount	Unit price
	(Kl)	(%) versus pervious year	(Kl)	(%) versus pervious year	(Kl)	(%) versus pervious year	(Kl)	(%) versus pervious year	(Kl)	(%) versus pervious year	Billion yen	Yen/kl
1977	95,500	-	33,700	-	203,100	-	297,700	-	630,000	-	184.0	292
1978	99,400	104.1	32,200	95.5	207,300	102.1	346,100	116.3	685,000	108.7	205.0	299
1979	101,600	102.2	32,500	100.9	210,000	101.3	286,100	82.7	630,200	92.0	195.0	309
1980	150,400	148.0	63,300	194.8	277,100	132.0	300,900	105.2	791,700	125.6	249.0	315
1981	158,300	105.3	63,500	100.3	277,500	100.1	333,500	110.8	832,800	105.2	268.0	322
1982	183,400	115.9	63,100	99.4	285,800	103.0	320,700	96.2	853,000	102.4	283.0	332
1983	187,600	102.3	63,300	100.3	302,800	105.9	314,500	98.1	868,200	101.8	294.5	339
1984	189,000	100.7	62,500	98.7	319,300	105.4	340,000	108.1	910,800	104.9	311.5	342
1985	195,000	103.2	60,000	96.0	326,000	102.1	319,000	93.8	900,000	98.8	312.2	347
1986	215,200	110.4	60,400	100.7	311,500	95.6	287,900	90.3	875,000	97.2	304.0	347
1987	236,800	110.0	59,900	99.2	330,500	106.1	282,600	98.2	909,800	104.0	319.6	351
1988	228,000	96.3	68,000	113.5	349,000	105.6	228,500	80.9	873,500	96.0	338.2	387
1989	226,200	99.2	92,000	135.3	318,000	91.1	230,000	100.7	866,200	99.2	342.9	396
1990	236,400	104.5	104,300	113.4	304,600	95.8	264,700	115.1	910,000	105.1	367.8	404
1991	214,800	90.9	118,000	113.1	292,700	96.1	259,300	98.0	884,800	97.2	381.0	431
1992	212,000	98.7	111,000	94.1	273,000	93.3	260,000	100.3	856,000	96.7	385.6	451
1993	202,000	95.3	105,100	94.7	248,800	91.1	251,500	96.7	807,400	94.3	374.4	464
1994	225,836	111.8	99,214	94.4	283,881	114.1	358,639	142.6	967,570	119.8	429.6	444
1995	197,600	87.5	106,400	107.2	271,300	95.6	293,600	81.9	868,900	89.8	387.9	446
1996	185,600	93.9	104,900	98.6	297,400	109.6	259,300	88.3	847,200	97.5	378.5	447
1997	187,800	101.2	118,200	112.7	278,400	93.6	239,100	92.2	823,500	97.2	375.0	455
1998	175,700	93.6	103,700	87.7	295,700	106.2	249,900	104.5	825,000	100.2	367.1	445
1999	178,200	101.4	104,000	100.3	297,700	100.7	245,800	98.4	825,700	100.1	358.5	434

Remark: Classification of each category is based on "Ministerial ordinance concerning compositional standards, etc. for milk and milk products 1990" of Ministry of Health and Welfare.
Source: Japan Ice Cream Association

3.4.2 Players

Snow Brand Milk Products Co. is Japan's largest manufacturer of butter and cheese and a leader in fresh milk production. It has also advanced into frozen foods. Dairy products account for 80% of the company's sales. Japan's second largest dairy products company is Meiji Milk Products Co. Ltd. The company's strengths include dehydrated fat-free milk for infants and premium ice cream. Morinaga Milk Industry Co. Ltd. is Japan's third largest dairy company, producing ice cream, infant formula, baby food, creamers and soft drinks. See Appendix I for a list of Japanese dairy manufacturers.

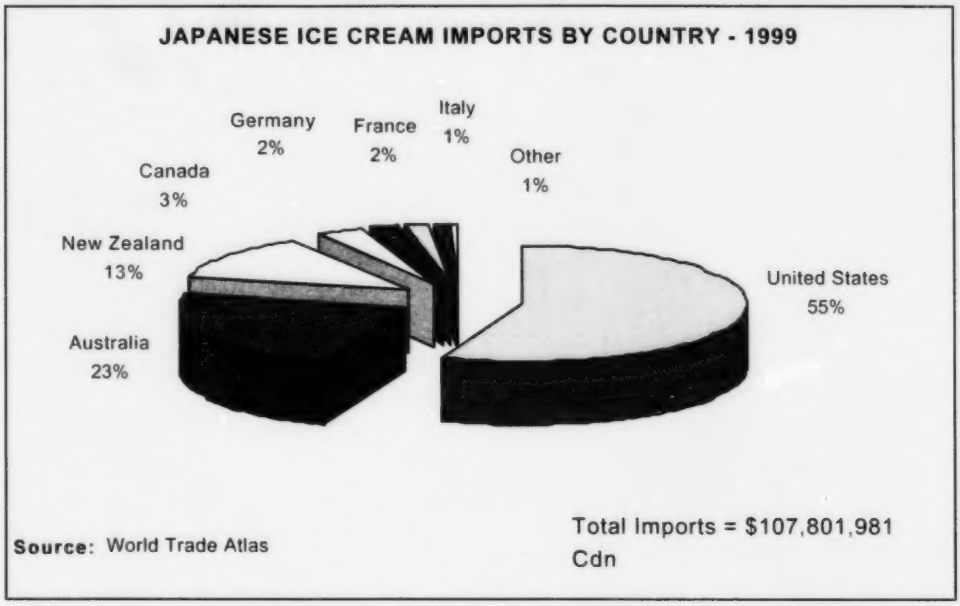
A major marketer of foreign dairy products in Japan is US-based Baskin-Robbins, which has a joint venture with Fujiya in Japan. Baskin-Robbins 31 Ice Cream has become Japan's largest ice cream chain, expanding through franchising agreements. Other marketers include Häagen Dazs Japan, Dairy Queen Japan Co. Ltd., Ben & Jerry Homemade Inc., and Dreyer's Grand Ice Cream Inc. See Appendix II for a list of major companies trading foreign dairy products in Japan.

Häagen Dazs has a large share of the retail market and its product is considered by consumers to be superior to domestically produced ice cream. It should be noted that these firms have done research and used local connections to their advantage. Most Canadians would not recognize a number of the flavours found in Japan, such as "matcha" (a green tea) and "moroheya" (an Asian plant).

3.4.3 Japanese Imports of Ice Cream - Canada's Position and the Competition

According to the World Trade Atlas, Japan's import market for ice cream was dominated in 1999 by the United States at 55% (CAN $60,041,983.00 - 10,031,724 kg), followed by Australia at 23% (CAN $24,927,382.00 - 8,827,253 kg), and New Zealand at 13% (CAN $13,606,283.00 - 4,629,054 kg). These three countries currently have 90% of the import market for ice cream. Canada has 3% (CAN $3,539,752.00 - 1,206,298 kg) and other countries such as France, Italy, China, the Philippines and Argentina make up the small remaining share. Figure 6 below shows Japan's ice cream imports by country for 1999.

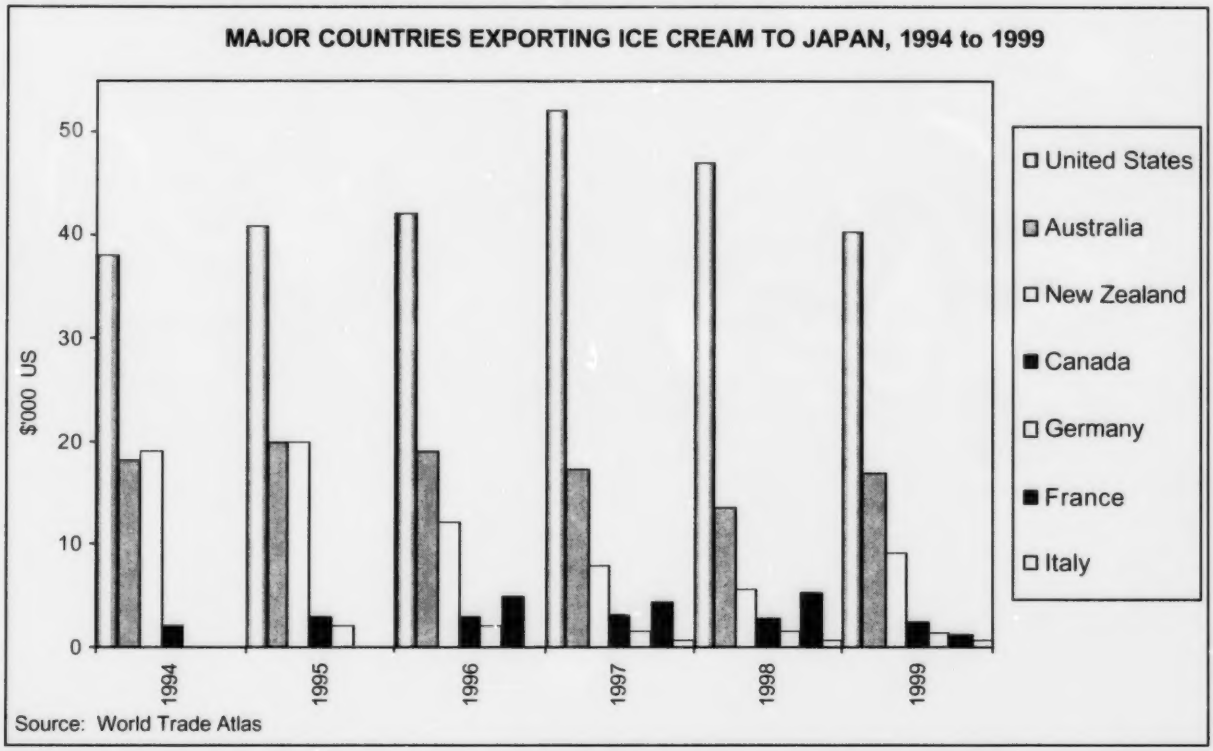
Figure 6 - Japanese Ice Cream Imports by Country, 1999



Import trends show a sharp increase in volume and value after imports were liberalized in April 1990. In 1991, imports of ice cream more than tripled from the previous year. Imports grew steadily, resulting in a 10-fold increase on a volume basis and a 6-fold increase on a value basis for the period between 1990 and 1995. Factors contributing to the growth were the strong yen in the early 1990s, consumers seeking real value and high quality, which led to higher imports of "super premium" ice cream by foreign-owned corporations. The growth of both volume and value remained less than 10% in 1995, possibly because of the cooler summer and lower demand compared with the previous year, when the weather was very hot and sales took off. Since then, imports have shown a fair increase in value, but volume has levelled off.

Figure 7 shows the different countries that exported ice cream to Japan from 1994 to 1999.

Figure 7 - Major Countries Exporting Ice Cream to Japan, 1994 - 1999



3.4.4 Market Access

According to the Ministerial Ordinance on Milk and Fair Trade Guidelines, ice cream is divided into the following categories: ice cream, ice milk and lactic ice. All three categories of products are subject to composition specifications and manufacturing standards under the Food Sanitation Law.

Japan changed to a tariff rate system in 1994, leaving no restrictions on the import volume of ice cream. In the last 6 years, Japan has reduced its tariffs on ice cream under the Uruguay Round. Current tariff rates are shown in Table 10.

Table 10 - Japanese Tariff Rates for Ice Cream, 2000

HS Code	Product Description	2000 MFN Rate of Duty
2105	Ice cream and Other Edible Ice, whether or not containing Cocoa	
	- Containing added sugar	
	- - Less than 50% by weight of sucrose:	
	- - - Those, the largest single ingredient of which is sugar by weight:	
2105.00.111	Ice Cream	21%
2105.00.112	Other	28%
	- - - Other:	
2105.00.113	Ice Cream	21%
2105.00.119	Other	23.8%
	- - Other:	
2105.00.191	Ice Cream	29.8%
2105.00.199	Other	29.8%
	- Other:	
2105.00.210	Ice Cream	21.3%
2105.00.290	Other	21.3%

Source: Japan's WTO Schedule and Worldtariff (April 2000)

Note 1: Japan's Most Favoured Nation applied tariffs are set at its World Trade Organization bound levels.

3.4.5 Distribution Channels

Ice cream imports are subject to regulations under the Food Sanitation Law. At the point of entry, importers must submit Food Import Notification etc., together with the necessary documents, and then have the documents examined by the imported foods supervising section of the Quarantine Station. After examination, items requiring sanitation inspection will be inspected at a bonded area, quarantine, or the National Institute of Health Sciences. After samples are collected, permission to import will be granted or denied.

The sale of ice cream is subject to the Food Sanitation Law, the Law for Standardization of Agricultural Goods and Appropriation of Labelling (JAS Law), and the Law for Preventing Unjustifiable Lagniappes and Misleading Representations.

Products are shipped in refrigerated containers, delivered to distributors at the port and carried by refrigerator car to wholesalers or to retail warehouses. Recently it is becoming more common for retailers, especially convenience stores, to jointly plan new products with overseas manufacturers and to import their original products.

Ice cream in two-litre packages is sold in supermarkets and convenience stores. Institutional containers, mostly for restaurants, etc., are supplied by dairy companies either directly or through wholesalers. Therefore, in Japan, only 10% of ice cream is estimated to be sold at speciality ice cream shops such as Baskin-Robbins 31 Ice Cream, etc.

3.5 OTHER DAIRY PRODUCTS

3.5.1 Market Size

i) Yogurt

There is a growing trend away from traditional foods to new higher-value products like yogurt, desserts and cheese. Consumers are more aware of product safety, packaging, hygiene and convenience. While there is a market for yogurt, imports of fresh yogurt are hampered by high tariffs and transportation costs.

ii) Dairy Drinks

In Japan, milk is consumed for its health benefits, especially calcium. Milk beverages and calcium-added milk present a market opportunity in Japan. Production of homogenized milk is relatively stable, but production of low-fat milk and milk beverages (flavoured milk and calcium-added milk) is increasing.

iii) Casein

No casein is produced in Japan and all necessary supplies are imported. Casein is a food additive. Manufacturers use it as an edible glue in ham and sausage and as an emulsifier in mayonnaise, ice cream and confectionery. It also increases viscosity in Japanese noodles.

iv) Whey

Whey is a by-product of cheese processing and contains various proteins with various functional and nutritional properties. They are used in dairy products, nutritional drinks and baked goods. Whey isolates are valued in Asian countries for their nutraceutical applications to promote athlete health, enhance the immune system and provide body-building supplements.

Whey products (including lactose) improve texture, and enhance flavour. There is an expanding market for whey in Japan, China and other countries in Asia. Whey ingredients are used in the manufacture of ice cream, yogurt and baked goods. Demand for demineralized whey products continues to grow because of consumer preference for their less salty taste.

An expanding market for high-value whey ingredients exists in various countries, including Japan and Korea. Both countries focus on the price of food ingredients. At the same time, Japanese and Korean consumers want foods with greater health-enhancing benefits. Demand also exists in non-traditional sectors such as the bakery, confectionery and beverage industries.

v) Lactose

Lactose, often separated from whey in processing, has many commercial uses apart from whey. Cow's milk averages roughly 5% lactose. Lactose has a variety of uses in food processing, primarily as an ingredient and sweetener in processed foods, such as frozen desserts, prepared dry mixes, infant foods and bakery products. Lactose's milk flavour is highly valued overseas. Lactose is commonly shipped in solid form, making it easy to package and transport.

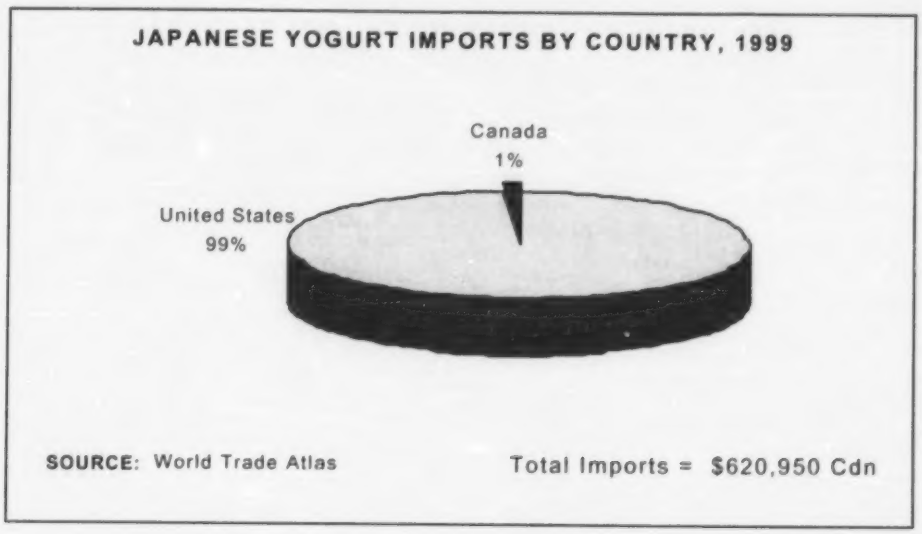
3.5.2 Canada's Position and the Competition

i) Imports of Yogurt

Japan's Morinaga Milk Industry recently launched a yogurt containing lactoferrin, a multifunctional milk protein thought to strengthen the human immune system. The protein boosts iron absorption. According to recent findings, it also protects against stomach ulcers as well as food viruses such as *E. coli* and staphylococci.

Japan's import market for yogurt is dominated by the United States, with a 99% market share (CAN $613,317,000.00 - 208,546 kg), followed by Canada with 1% (CAN $7,633.00 - 1,890 kg). Figure 8 shows Japanese imports by country in 1999.

Figure 8 - Japanese Yogurt Imports by Country, 1999



ii) Imports of Dairy Drinks

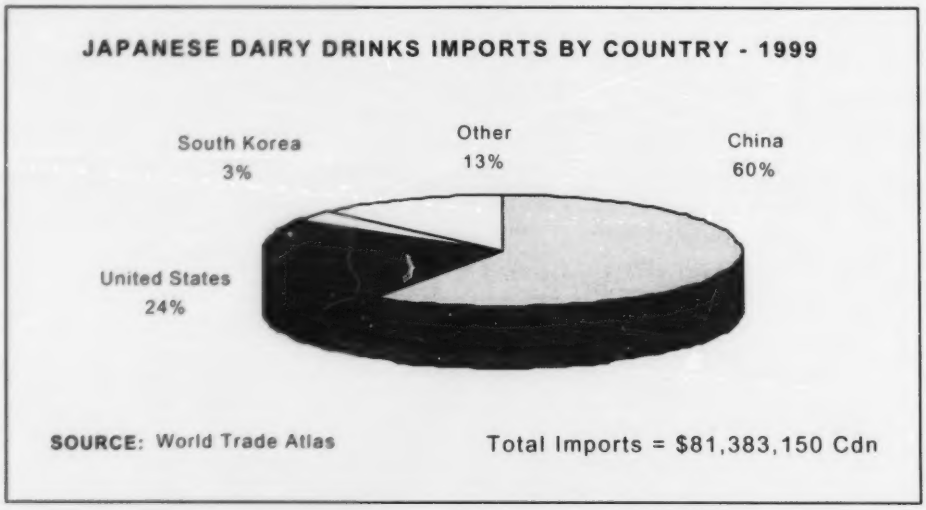
The top three dairy companies in Japan are Snow Brand Milk Products, Meiji Milk Products and Morinaga Milk Industry. They handle raw milk and produce a variety of milk products including milk fluid, milk-based drinks, yogurt, cheese, butter, milk powder and evaporated milk. One Japanese invention, is Yakult, a lactic acid bacteria drink produced by Yakult Honsha. It has become well known around the world.

Kefir is an acid-tasting fermented milk beverage, known for its health benefits. Like yogurt, it contains live bacteria. It is claimed that kefir strengthens the immune system, promotes digestion and fights cancer. In Japan, research done on animals found that kefir helped to prevent the onset of cancer and slowed cancer growth. North American flavours are strawberry, peach and lemon. Kefir sells for about $2.29 per 500 ml container.

Calpis Co. Ltd. produces and processes milk-based beverages such as "Calpis," a concentrated lactic acid drink, marketed worldwide under the name "Calpico." Calpis Co. Ltd. is Japan's leading producer of milk-based beverages, including its Calpis brand.

In 1999, Japan's import market for dairy drinks was dominated by China, with a 60% market share (CAN $48,214,760.00 - 3,253,110 L), followed by the United States with 24% (CAN $19,870,837.00 - 6,277,032 L), South Korea with 3% (CAN $2,678,468.00 - 577,981 L), and other countries making up the remaining 13% (CAN $10,619,085.00 - 6,147,160 L). Figure 9 shows Japanese dairy drinks imports by country in 1999.

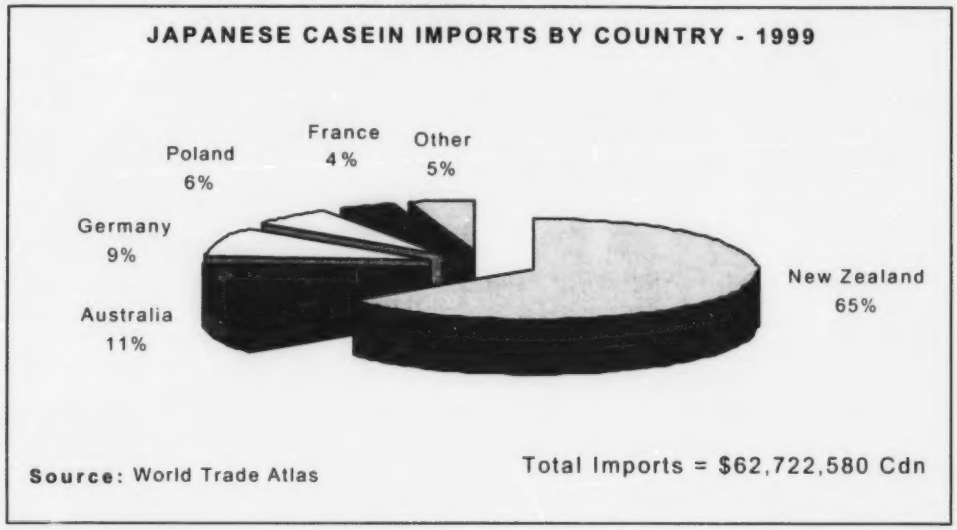
Figure 9 - Japanese Dairy Drinks Imports by Country, 1999



iii) Imports of Casein

According to the World Trade Atlas, Japan's import market for casein for 1999 was dominated by New Zealand, with a 65% market share (CAN $40,588,180.00 - 6,432,404 kg), followed by Australia with 11% (CAN $7,126,422.00 - 1,174,600 kg), Germany with 9% (CAN $5,566,477.00 - 880,367 kg), Poland with 6% (CAN $3.909,688.00 - 637,500 kg), and France with 4% (CAN $2,560,088.00 - 437,025 kg). Twelve other countries make up the remaining 5%. Japan does not import casein from Canada. Figure 10 shows Japanese casein imports by country in 1999.

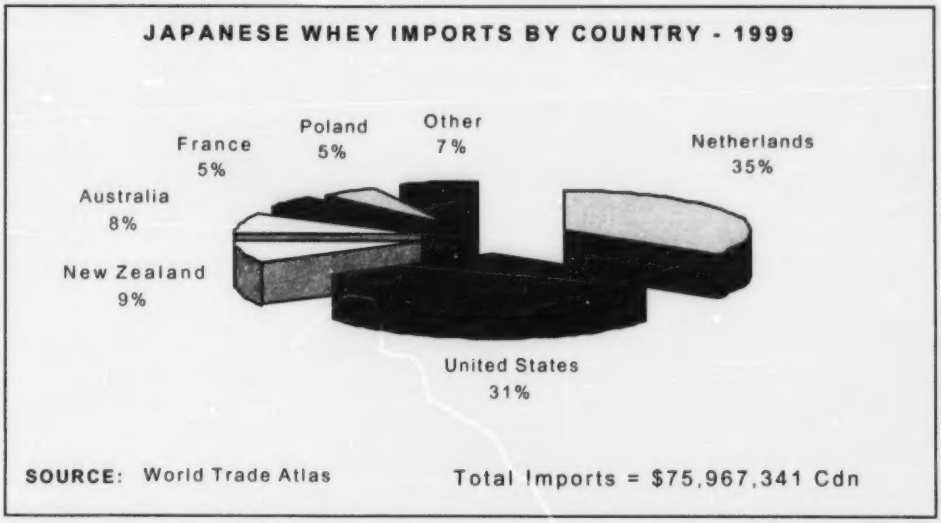
Figure 10 - Japanese Casein Imports by Country, 1999



iv) Imports of Whey

In 1999, Japan's import market for whey was dominated by the Netherlands, with a 35% market share (CAN $26,572,021.00 - 7,747,939 kg), followed by the United States with 31% (CAN $23,836,166.00 - 16,800,033 kg), New Zealand with 9% (CAN $6,757,295.00 - 1,844,200 kg), Australia with 8% (CAN $5,866,840.00 - 3,215,517 kg), France with 5% (CAN $4,012,335.00 - 2,156,975 kg), Poland with 5% (CAN $3,719,565.00 - 5,153,810 kg), and other countries including Germany, Hungary, Denmark, Canada, South Africa, Lithuania, Switzerland, China and Ireland making up the remaining 7% (CAN $5,201,772.00 - 4,238,508 kg) (see Figure 11).

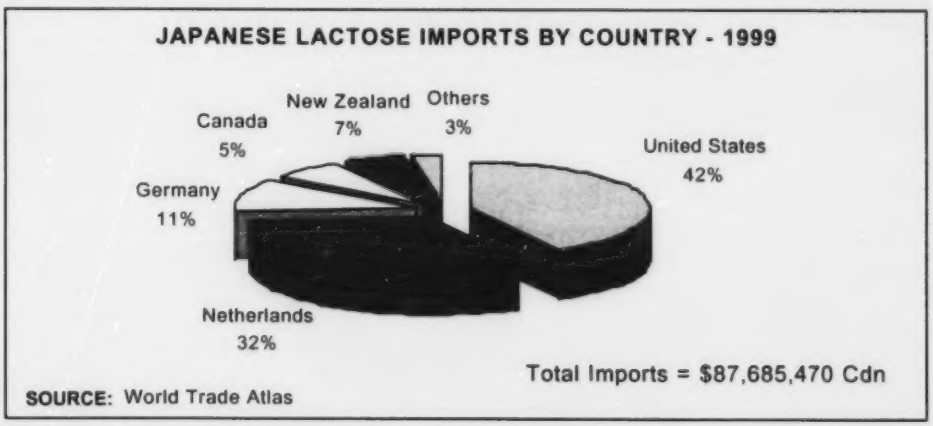
Figure 11 - Japanese Whey Imports by Country, 1999



v) Imports of Lactose

Japan's import market for lactose is dominated by the United States, with a 42% market share ($36,747,853.00 - 45,999,768 kg), followed by the Netherlands with 32% (CAN $28,090,867.00 - 21,975,225 kg), Germany with 11% (CAN $9,969,036.00 - 9,765,954 kg), New Zealand with 7% (CAN $5,740,244.00 - 5,657,925 kg), Canada with 5% (CAN $4,802,913.00 - 5,918,450 kg), and other countries including France, Finland, Lithuania, Sweden, Australia, Ireland, Belgium and the United Kingdom with the remaining 3% (CAN $2,334,560.00 - 2,332,160 kg). Figure 12 shows Japanese lactose imports by country in 1999.

Figure 12 - Japanese Lactose Imports by Country, 1999



3.5.3 Market Access - Tariff Rates for Other Dairy Products

Duties applicable to goods that are imported into Japan are applied on the CIF (cost, freight and insurance) value at ad valorem or specific rates. In some cases, both may be applied. An additional 5% consumption tax will be levied on all goods imported into Japan, applied to the CIF value plus the import duty. Both the duty and consumption tax are payable at the time of customs clearance by the importer.

The Most Favoured Nation (MFN) rate applies to dairy product imports from Canada. The applicable rates for dairy products are shown in the following tables.

i) Yogurt

Table 11 - Japanese Tariff Rates for Yogurt, 2000

HS Code	Product Description	2000 MFN Rate of Duty
403.1	Yogurt Frozen, treated appropriate to preserve or containing added sugar or containing added sugar or other sweetening matter or flavoured or containing added fruit or nuts, excluding frozen yoghurt: - - For "the pooled Quota[2] of skimmed milk powder other than for school lunch, etc..."	
0403.10.110	--- Containing added sugar	35% (SSG[3])
0403.10.120	--- Other	25% (SSG[3])
0403.10.190	-- Other	29.8$ + 915 yen/kg (SSG[3])
	- Other:	
	-- Frozen yogurt:	
0403.10.211	--- Containing added sugar or other sweetening matter, in immediate packings of a content not exceeding 10 kg	26.3%
0403.10.219	--- Other	29.8%
0404.10.220	-- Other	21.3%

SOURCE: Japan's WTO Schedule and Worldtariff (April 2000)
NOTE: Japan's Most Favoured Nation applied tariffs are set at its World Trade Organization bound levels.
NOTE: The pooled quota for of skimmed powder other than for school lunch is 85,878mt.
NOTE: Special Safeguard actions takes the form of an additional duties applied to fairly traded imports, which nevertheless cause or threaten serious injury to domestic producers.

ii) Dairy Drinks

There are no import quotas for products classified under 2202.

Table 12 - Japanese Tariff Rates for Dairy Drinks, 2000

HS Code	Product Description	2000 MFN Rate of Duty[1]
2202	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavoured, and other non-alcoholic beverages, not including fruit or vegetable juices of heading no. 2009:	
	- Other:	
2202-90.100	-- Containing added sugar	13.4%
2202-90.200	-- Other	9.6%

Source: Japan's WTO Schedule and Worldtariff (April 2000)
NOTE[1]: Japan's Most Favoured Nation applied tariffs are set at its World Trade Organization bound levels.

iii) Casein

Table 13 - Japanese Tariff Rates for Casein, 2000

HS Code	Product Description	2000 MFN Rate of Duty
3501	Casein, Caseinates and Other Casein Derivatives; Casein Glues:	
-10	Casein	Free
-90	Other	5.4%
3502	Albumins (including concentrates of two or more whey proteins, containing by weight more than 80% whey proteins, calculated on the dry matter), albuminates and other albumin derivatives:	
-20	Milk albumin, including concentrates of two more whey proteins	2.9%
-90	Other	2.9%

Source: Japan's WTO Schedule and Worldtariff (April 2000)

iv) Whey

Table 14 - Japanese Tariff Rates for Whey, 2000

HS Code	Product Description	2000 MFN Rate of Duty[1]
404	Whey, whether or not concentrated or containing added sugar or other sweetening matter; products consisting of natural milk constituents, whether or not containing added sugar or other sweetening matter, not elsewhere specified or included	
0404.10	Whey and modified whey, whether or not concentrated or containing added sugar or other sweetening matter: - Sterilized, frozen, treated appropriate to preserve, concentrated or containing added sugar or other sweetening matter: -- Of a fat content, by weight, not exceeding 5% --- Imported by the Livestock Industry Promotion Corporation before 31st March 2001 to the extent of the quantity stipulated by Paragraph 1 of Article 13 of the Manufacturing Milk Producer Compensation Temporary Act or imported before 31st March 2001 with approval of Ministry Agriculture, Forestry and Fisheries by means stipulated by the Paragraph 2 thereof:	
0404.10.111	---- Containing added sugar	
0404.10.119	---- Other	35%
	--- Other:	25%
	---- Mineral concentrated whey:	
	---- -- Concerning mineral concentrated whey in subheading Nos. 0404.10.212-10.129 and 0404.10.161-10.169, for the quantity quota stipulated by a Cabinet Order in the basis of 14,000 tons, in consideration of the quantity of prospective domestic demand in the current fiscal year (April-March), international market situation and other relevant conditions, hereinafter referred to as the "Pooled Quota[2] for mineral concentrated whey":	
0404.10.121		35%
0404.10.122	------Containing added sugar	25%
0404.10.129	------- Other	29.8% + 99 yen/kg
	----- Other	
	---- Other:	
0404.10.131	----- Containing added sugar:	free
	------ Concerning whey and modified whey, other than mineral concentrated whey, used for the manufacture of mixed feeds as may be prescribed by a Cabinet Order, in subheading Nos. 0404.10.131-10.149 and 0404.10.171-10.189, for the quantity quota stipulated by a Cabinet Order in the basis of 45,000 tons, in consideration of the quantity of prospective domestic demand in the current fiscal year (April-March), international market situation and other relevant conditions, hereinafter referred to as the "Pooled Quota[3] of whey etc..., for feeding purpose" in this subheading	
0404.10.139		29.8% + 99 yen/kg
0404.10.141	------ Other	free
	----- Other:	
	------ For the manufacture of mixed feeds as may be prescribed by a Cabinet Order, for the "Pooled quota of whey etc. for feeding purposes"	

HS Code	Product Description	2000 MFN Rate of Duty[1]
0404.10.142	- - - - - - Concerning whey and products consisting of natural milk constitution, used for the manufacture of prepared milk powder for babies and infants, in subheading Nos. 0404.10.141-10.149, 0404.10.181-10.189, 0404.90.116-90.118, 0404.90.126-90.128 and 0404.90.136-90.138, for the quantity quota stipulated by a Cabinet Order in the basis of 25,000 tons, in consideration of the quantity of prospective domestic demand in the current fiscal year (April-March), international market situation and other relevant conditions, hereinafter referred to as the "Pooled Quota[4] of whey etc. sed for prepared milk powder for babies and infants" in this subheading	10%

iv) Whey (Cont'd)

HS Code	Product Description	2000 MFN Rate of Duty
0404.10.149	- - - - - - Other	29.8% + 99 yen/kg
	- - - Other:	
	- - - - Imported by the Livestock Industry Promotion Corporation:	
0404.10.151	- - - - - Containing added sugar	35%
0404.10.159	- - - - - Other	25%
	- - - - Other:	
	- - - - - Minerals concentrated whey:	
	- - - - - - For the "Pooled Quota[2]":	free
0404.10.161	- - - - - - - Containing added sugar	35%
0404.10.162	- - - - - - - Other	25%
0404.10.169	- - - - - - Other	29.8% + 135 yen/kg
	- - - - - Other:	
	- - - - - - Containing added sugar:	
0404.10.171	- - - - - - - For the "Pooled Quota[3]"	free
0404.10.179	- - - - - - - Other	29.8% + 135 yen/kg
	- - - - - - Other:	
0404.10.181	- - - - - - - For the "Pooled Quota[3]" for feeding purposes	free
0404.10.182	- - - - - - - For the "Pooled Quota[4]" for the manufacturer of prepared milk powders for infants	10%
0404.10.189	- - - - - - - Other	29.8% + 135 yen/kg
0404.10.200	- Other:	21.30%
0404.90	Other:	
	$ Sterilized, frozen, preserved, concentrated, containing added sugar or other sweetening matter:	
	- - Of a fat content, by weight not exceeding 1.5%:	
	- - - Containing added sugar:	
0404.90.111	- - - - For the "Pooled Quota[5] of other milk products"	35%
0404.90.112	- - - - Other	29.8% + 400 yen/kg
	- - - Other:	
0404.90.116	- - - - For the manufacture of prepared milk powder for babies and infants, for the "pooled quota[4]" of whey etc. used for prepared milk powder for babies and infants	10%
0404.90.117	- - - - For the "Pooled Quota[5]" of other milk products	25%
0404.90.118	- - - - Other	29.8% + 400 yen/kg
	- - Of a fat content, by weight, exceeding 1.5% but not exceeding 30%	
	- - - Containing added sugar:	
0404.90.121	- - - - For the "Pooled Quota[5]" of other milk products	35%

0404.90.122	- - - - Other - - - Other:	29.8% + 679 yen/kg
0404.90.126	- - - - For the manufacturer of prepared milk powder for babies and infants, for the Pooled Quota[4] of whey etc. used for prepared milk powder for babies and infants	10%
0404.90.127	- - - - For "the Pooled Quota of other milk products"	25%

iv) Whey (Cont'd)

HS Code	Product Description	2000 MFN Rate of Duty
0404.90.128	- - - - Other - - Of a fat content, by weight, exceeding 30% - - - Containing added sugar:	29.8% + 679 yen/kg
0404.90.131	- - - - For "the Pooled Quota[5] of other milk products"	35%
0404.90.132	- - - - Other - - - Other:	29.8% + 1,023,000 yen/kg
0404.90.136	- - - - For the manufacturer of prepared milk powder for babies and infants, for the Pooled Quota[4] of whey etc. used for prepared milk powder for babies and infants	10%
0404.90.137	- - - - For "the Pooled Quota[5] of other milk products"	25%
0404.90.138	- - - - Other	29.8% + 1,023,000 yen/kg
0404.90.200	- Other	21.3%

SOURCE: Japan's WTO Schedule and Worldtariff (April 2000)
Note[1]: Japan's Most Favoured Nation appliced tariffs are set at its World Trade Organization bound levels
Note[2]: The pooled quota for mineral concentrated whey is 14,000 mt.
Note[3]: The pooled quota for whey for feeding purpose is 45,000 mt.
Note[4]: The pooled quota of other milk products is 133,940 mt.
Note[5]: The pooled quota of whey etc. sed for prepared milk powder for babies and infants is 25,000mt.

v) Lactose

Table 15 - Japanese Tariff Rates for Lactose, 2000

HS Code	Product Description	2000 MFN Rate of Duty
1702	Other sugar, including chemically pure lactose, maltose, glucose in solid form; ... - Lactose and lactose syrup:	
1702.11	- - Containing by weight 99% or more lactose expressed as anhydrous lactose calculated on the dry malter	8.5%
1702.19	- - Other	8.5%

SOURCE: Japan's WTO Schedule and Worldtariff (April 2000)

Note[1]: Japan's Most Favoured Nation appliced tariffs are set at its World Trade Organization bound levels.

IV. IMPORT PROCEDURES AND REGULATIONS CONCERNING DAIRY PRODUCTS

Tariffs are administered by the Customs and Tariff Bureau of Japan's Ministry of Finance. Duties are applied to imports on CIF (cost, freight and insurance) value at ad valorem or specific rates. In some cases, both rates may be applied. An additional 5% consumption tax is levied on all goods imported into Japan, applied to the CIF value plus the import duty. Both the duty and the consumption tax are payable at the time of customs clearance by the importer.

Products imported into Japan must be accompanied by proper documentation. Canadian exporters should ask importers for any additional documentation necessary to ship the product to Japan. This will help speed up entry at the Japanese border. To avoid delays, it also recommended that exporters complete the documents in both English and Japanese.

Airports handling international freight are located in Tokyo, Osaka, Nagoya and Fukuoka. Japan has an excellent rail network that connects all major cities and makes travel within Japan easy and quick.

4.1 Customs

Both the Japanese government and Japan's trading partners increasingly recognize the importance of reducing customs clearance times for both foreign suppliers and domestic importers. Although clearance time in Japan has fallen in recent years, it remains quite high by developed-country standards. The main problem is apparently not official clearance procedures *per se*, but rather such logistical issues as pre-processing and warehousing. Japan has increased its resource allocations to combat the problem, but the rapid rise in imports has aggravated the situation.

4.2 Import Licences

Import and export licensing procedures in Japan are governed by the Foreign Exchange and Foreign Trade Control Law, aimed primarily at enforcing health, public security and environmental measures and implementing tariff concessions, border protection schemes for agriculture and other policy measures. Since January 1995, changes in the items requiring import approval include the removal of restrictions on raw silk.[6]

4.3 Sanitary and Phytosanitary Standards (SPS)

The Japanese government is in the process of modernizing its procedures for the approval of food additives as part of the five-year Deregulation Action Program, announced on March 31, 1995. This will bring the list of approved additives into line with international ratios. The number of standards corresponding to international ratios has doubled since 1992, and Japan is gradually increasing the scope of pre-export testing and certification at overseas facilities.

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[6]Japan notified its import licensing procedures, as well as the products concerned, in WTO document G/LIC/N/3/JPN, 20 November 1996.

Dairy products in Japan are regulated by the Ministry of Health and Welfare (MHW) under the Food Sanitation Law. Pursuant to this Law, the MHW publishes a Ministerial Ordinance concerning compositional standards for milk and milk products.

4.4 Labelling Regulations

Packaging must comply with overseas labelling requirements. Packages must be neat, sizes must be measured in metric, and labelling must be in the Japanese language.

- Effective April 1, 1997, retail food products (except ice cream) must have a best-before date labelled on the package.
- The words "best-before" must be written in Japanese as "shomi-kigen" or "hinshitsuhoji-kigen."
- There is no specific requirement for the size of printed letters and numbers.
- Products can be cleared through customs without the best-before date printed on the package. However, this date must be on the package by the time the product leaves the customs warehouse.

V. MARKET DEVELOPMENT

5.1 Advertising and Promotion

Most dairy products in Japan are promoted as healthy foods. Products like natural cheeses are associated with a more affluent lifestyle and are portrayed as such. French soft cheeses (camembert, brie, etc.) have benefited from red wine's increasing popularity. Several strategies are used to promote dairy products in Japan, including those by individual companies as well by the Japan Cheese Promotion Council, the Nutritional Improvement Promotion Council, the Japan Imported Cheese Promotion Association, and Dairy Offices, to name just a few. Asian consumers seeking to increase their calcium intake are often acting in response to government nutritional campaigns.

Japan's major newspapers are Asahi Shinbun (estimated circulation of 8,375,986), Chunichi Shinbun (2,343,234), Mainichi Shinbun (3,948,714), Tokyo Shinbun (circulation of 418, 270) and Yomiuri Shinbun (10,171,968). Japan's English-language newspapers include the Asahi Evening News (estimated circulation of 38,500), Japan Times (64,747), Mainichi Daily News (48,250) and The Daily Yomiuri (52,549).

5.2 Trade Shows

Japan boasts many major trade shows, affording companies an excellent opportunity to promote Canadian dairy products, meet with potential clients and develop business ties with distributors.

See Appendix III for a list of trade shows.

APPENDICES

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Appendix II Major Dairy Trading Companies in Japan **A.2-1**

Appendix III Trade Shows **A.3-1**

Appendix IV Organizations in Japan **A.4-1**

Appendix V Canadian Contacts **A.5-1**
- Agriculture and Agri-Food Canada A.5-1
- Agriculture and Agri-Food Canada Regional Offices A.5-1
- Canadian Food Inspection Agency A.5-2
- Canadian Food Inspection Agency, Regional Offices A.5-2
- Embassy of Japan A.5-2
- Department of Foreign Affairs and International Trade A.5-2
- Japan External Trade Organization (JETRO) A.5-2

APPENDIX I - JAPAN DAIRY MANUFACTURERS

Company Name	Address	Company Description
Snow Brand Milk Products Co.	Nishi Kouhei President 13 Honshio-cho, Shinjuku-ku Tokyo 160-8575, Japan Telephone: 81-3-3226-2158 Facsimile. 81-3-3226-2150 www.snowbrand.co.jp	It is Japan's largest manufacturer of butter and cheese. Snow Brand is also a leader in fresh milk, and its advance into frozen foods is paving the way for the company to become a general food maker. The company also makes fruit juice products, frozen convenience foods, and pharmaceuticals. Dairy and ice-cream products (including such advances as margarine in a squeeze tube) account for almost 80% of the company's sales. Subsidiaries around the globe make and sell infant formula, agricultural seeds, and other dairy-related items. Snow Brand Milk products also has licenses for such Western labels as Dole and Hershey. Snow Brand Milk Products announced in September of 2000, that the company will be forging an alliance with the local subsidiary of Swiss food giant Nestlé.
Meiji Milk Products Co., Ltd.	Hisashi Nakayama President 2-3-6 Kyobashi, Chuo-ku Tokyo 104-8381, Japan Telephone: 81-3-3281-6118 Facsimile: 81-3-3281-4717 www.meinyu.co.jp	It is Japan's second largest dairy-foods producer. Its products strengths include dehydrated fat-free milk for infants and premium ice cream. Milk accounts for over half of the sales. The company introduced Bulgarian yogurt in the 1970s that sparked a yogurt boom in Japan. Also, Meiji Milk develops in the pharmaceutical market. Meiji Milk is also bolstering its door-to-door delivery services. The company also makes experimental drugs. Other joint ventures include ice cream production in Indonesia and selling The Coca-Cola Company's Minute Maid-brand juices in Japan.
Morinaga Milk Industry Co., Ltd.	Akira Ohno President 5-33-1, Shiba Minato-ku, Tokyo Japan 108 Telephone: 81-3-3798-0111 Facsimile: 81-3-3798-0101 www.morinagamilk.co.jp	Japan's 3rd largest dairy company, among the market leaders in ice cream, infant formula, baby food, creamers and soft drinks. Ranked 10th among the top companies in the food and beverage industry in Japan. Also manufacture dairy by-products, beverages and other food products, pharmaceuticals. Morinaga Milk Industry Co. Ltd. was established in April 1949 and an affiliate of Morinaga & Co. Morinaga Milk Industry (is also Japan's leading tofu exporter). The company has ties with U.S. based Kraft General Foods in cheese and with Swiss-based Emmi in yogurt. The company was first in Japan's dairy industry to complete a production base in China.

Company Name	Address	Company Description
Rokko Butter Co., Ltd.	Tetsu Tsukamoto President 1-3-13 Sakaguchi-dori Chuo-ku, Kobe-shi Hyogo, Japan 651-0062 Telephone: 78-231-4681 Facsimile: 78-231-4678	Rokko Butter Co., Ltd. was established in 1948, and manufactures processed cheese and other dairy products, the wholesale of nuts, desserts, chocolates, margarine and other food products. Cheese accounted for 79% of 1998 unconsolidated revenues; desserts, 10%; nuts, 8%; chocolate, 3%; margarine and other, nominal. Unconsolidated revenues accounted for 102.1% of 1998 consolidated revenues. The company has two consolidated subsidiaries both based in Japan.
Zen-Noh Wholesale Co., Ltd.	Shigeo Kimura President 4-1-3 Kudankita Chiyoda-ku, Tokyo Japan 102-0073 Telephone: 3-3263-6611 Facsimile: 3-3263-9221 www.z-chokuhan.co.jp	Zen-Noh Wholesale Co., Ltd. was established in 1972. Processing and sales of milk, dairy products, fruit juice and dessert dishes. The company also manage vegetables and fruits. It has a license for yogurt labels as Yoplait.
Ohayo Dairy Products Co.,Ltd.	Takashi Nozu President 565 Koujita Okayama Okayama, Japan 703-8505 Telephone: 86-279-1231 Facsimile: 86-279-5033 www.ohayo-milk.co.jp	Ohayo Dairy Products Co., Ltd. was established in 1953. Manufacture milk, dairy foods, yogurt, dessert (main desserts are pudding), ice cream, and cheese. The company currently have 3 factories and 19 branches. Factories are in Okayama-ken (2 factories) and Ibaragi-ken.
Ezaki Glico Co., Ltd.	Katsuhisa Ezaki President 6-5, Utajima 4-Chome Nishi-Yodogawa-ku Osaka , Japan 555-8502 Telephone: 81-6-6477-8351 Facsimile: 81-6-6477-5670 www.glico.co.jp	Produces ice cream, cookies, curries, stews, and candy. Confections such as its flagship products, Pocky and Pretz (chocolate-covered biscuits and pretzels), account for over half of its sales. Faced with declining sales, the candy maker has been cutting costs, boosting its marketing, and introducing new products.

Company Name	Address	Company Description
Calpis Food Industry	Takayoshi Muto President 20-3, Ebisu-Nishi 2-Chome Shibuya-Ku Tokyo 150-0021, Japan Telephone: 81-3-3780-2103 Facsimile: 81-3-3780-0667 www.cplpis.co.jp	Calpis Co., Ltd. was established in 1917 and produces and processes milk based beverages including "Calpis" concentrated lactic acid drinks which are marketed worldwide as "Calpico", other soft drinks and dairy products. It is Japan's leading producer of milk-based beverages, notably Calpis brand beverages. Beverages accounted for 90% of 1999 revenues; dairy products, food products, real estate rental revenue and other, 10%. The company has thirteen consolidated subsidiaries, twelve in Japan and one in Taiwan. Overseas sales accounted for less than 10% in 1999 revenues. Ajinomoto Co., Inc., Japan's leading seasoning manufacturer known for monosodium glutamate, is the major shareholder with 20.06% of issued stock. The company is a member of the Ajinomoto group. Aiming to expand its operating base, Calpis is taking decisive actions to strengthen its beverage sector.
Ajinomoto Co. Inc.	Kunio Egashira President Ajinomoto Building 15-1, Kyobashi 1 Chome, Chuo-Ku Tokyo 104, Japan Telephone: 81-3-5250-8111 Facsimile: 81-3-5250-8378	Ajinomoto Co., Inc. is one of Japan's largest manufacturers of food products, including seasonings, edible oils, processed foods, and beverages and dairy products. The company is also engaged in the development and manufacture of pharmaceuticals, amino acids, and specialty chemicals. In 1999 the net sales amounted to $6,731,719 US.
Imuraya Confectionery Co., Ltd.	Akira Yamakawa President 1-1 Takachaya, 7-Chome TSU City MIE 514-8530 Japan Telephone: 81-59-234-2131 Facsimile: 81-59-234-2130 www.imuraya.co.jp	S sweet potato ice cream Imuraya Confectionery Co., Ltd., was established in 1896 and was incorporated in 1947. Confectionery/foodstuffs accounted for 79% of fiscal 1999 revenues; condiments, 13% and restaurant operations, 8% and services including gasoline stands and golf driving ranges, nominal. The company has two consolidated subsidiary based in Japan. Export sales accounted for less than 10% of fiscal 1999 revenues.
Japan Milk Net	Tokijiro Ogawara 4-9-2 ginza, Chuo-ku Tokyo, Japan 104-0061 Plant 1-5-15 Sayama Sayama-shi, Saitamaken Japan 350-1331 Telephone: 42-954-6166 Facsimile: 42-954-6179	S slowly cultured soft yogurt

Company Name	Address	Company Description
Meito Sangyo Co. Ltd.	Fumio Ishida President 41, Sasatsuka-Cho 2-Chome, Nishi-Ku Nagoya 451-8520 Japan Telephone: 81-52-521-7111 Facsimile: 81-52-524-3738 www5.mediagalaxy.co.jp/meito	Meito Sangyo Co., Ltd. was established in 1945 and manufactures chocolate, candies, ice cream, powdered/canned soft drinks and chemical products including enzymes, rennet and pharmaceuticals. Confectionery and soft drinks accounted for 85% fiscal 1999 revenues; chemical products, 12% and real estate operations including leasing/rental of warehouses, refrigerated warehouses and golf course operations, 3%. Nissei Co., a beverage manufacturer, is the major shareholder with 25.19% of issued stock. -healthy milk drink for women and children
Koiwai Products Co., Ltd.	Katsuhiko Ishino President 2-5-2 Marunouchi Chiyoda-ku, Tokyo Japan 100-0005 Telephone: 3-3215-5271 Facsimile: 3-3215-5286 www.koiwai.co.jp	It was separated from Koiwai Noboku Kaisha, Ltd., and was established in 1976. Koiwai Noboku Kaisha, Ltd. was established in 1891. The company manufactures milk, yogurt, butter, skim milk, cheese, ice cream, beverages, jam and confectionery. Also, yogurt with sweetener in the lid.

Natori Co. Ltd.	Shyouichi Natori
	President
	5-5-1 Oji, Kita-ku, Tokyo
	Japan 114-8611
	Telephone: 81-3-5390-8111
	Facsimile: 81-3-5390-6711
	www.natori.co.jp
		Retailer of wide variety of nibbles to go with drinks such as cuttlefish / meat product and cheese.
		$ marine processed food
		$ salamis
		$ camembert cheese tara
		Most products are food for a drink

Tokyo Dairy Co., Ltd.	Hiroshi Inoue President 3-4-2 Kiba, Kouto-ku Tokyo, Japan 135-0042 Telephone: 81-3-5245-4750 Facsimile: 81-3-3630-7510	The company was established in 1973, and manage imported and process cheese. $ black pepper cheese
JC Foods Co., Ltd.	Aiko Ogawara President 2231 Nihonfirukon Omaru, Inagi-shi Tokyo, Japan Telephone: 81-42-370-7545 Facsimile: 81-42-378-7810	It produces frozen pizza, primarily for the food service market, which accounts for nearly 60% of net sales. Since 1988, the company through a subsidiary has maintained a strategic tie-up with Domino's Pizza Japan to supply home-delivery pizza. JC Foods is working to expand its line of processed cheese, which accounts for roughly 20% of sales.
Ajinomoto General Foods, Inc.	Keiichi Koseki President 2-2-8 Higasishinagawa Shinagawa-ku, Tokyo Japan 140-8651 Telephone: 81-3-5463-3600 Facsimile: 81-3-5463-3668 www.agf.co.jp	It is Japan's largest general food manufacturer, reputed for the production of monosodium glutamate. Ajinomoto possesses world-class technology for advanced amino acid application and is a leading player in the global amino acid market. Processed foods, beverages and dairy products represent approximately half of sales. The company also has a pharmaceutical business that continues to perform well.

Company Name	Address	Company Description
Yakult Honsha Co., Ltd.	Sumiya Hori President 1-1-19, Higashi Shinbashi, Minatoku, Tokyo Telephone: 81-3-3574-8960 Facsimile: 81-3-3475-1636	With such well known brands as Yakult and Actimel amongst others, Yakult Honsha Co., Ltd. (Japan) and Danone Group (France) are two strong leaders in the field of probiotic fermented products, the fastest growing segment in the fresh dairy industry worldwide. Yakult and Danone are in discussion to form an alliance in order to strengthen their global leadership in probiotics.
Nestlé Japan Ltd.	Frits van Dijk President 2-2-20, Higashi Shinagawa, Shinagawaku, Tokyo Telephone: 81-3-5769-6200 Facsimile: 81-3-5769-6290	In 1998 Nestlé Japan Ltd. launched "Nestlé Milo Sucrose Free" which uses no sugar (sucrose). The natural sweetness of the product is due to the presence of lactose, glucose, and maltose.

Source: www.hoovers.com , www.corporateinformation.com, http://just-food.com/email_format_check.asp?subscribe=22059 and www.qcis.com

APPENDIX II - MAJOR DAIRY TRADING COMPANIES IN JAPAN

Company Name	Address	Company Description
Toshoku Corp	Koichi Miura Manager of Dairy Dept 3-2-3, Muromachi Chiyodaku, Tokyo Telephone: 81-3-5224-5600 Facsimile: 81-3-5224-5943	This firm was founded in 1946 as Tokyo Food Products Ltd. They import cheese from a wide variety of countries, including Canada. They distribute cheese to over 40 companies in Japan, with their main customers being the big dairies, such as Snow Brand, Morinaga, Meiji, and Rokko Butter. -Trading house, importer of dairy products
Chesco Ltd.	6-1-1 Heiwajima Ota-ku, Tokyo 143-0006 Telephone: 03-3767-4321 Facsimile: 03-3767-4323 Head office in Tokyo Offices in other major cities in Western Japan. www.tky.3web.ne.jp/~chesco	Started operations in 1956. It is an affiliate of both Snow Brand and Mitsubishi Shoji. They specialize in importing and distributing cheese to a wide variety of customers, including supermarkets, hotels and department stores. They also distribute imported cheese to Snow Brand for use in producing processed cheese. The majority of cheese they carry are imported by air cargo.
Nosawa & Co. Ltd. Gumi	Shinichiro Nozawa President 3-4-1 Marunouchi Chiyoda-ku, Tokyo 100-0005 Telephone: 03-3216-3464 Facsimile: 03-3284-1763	Nosawa & Co. Ltd. Gumi was established in 1944, and is a general trading company. It manages dairy products, meat, and other foods, chemistry and textile.
Mitsubishi Corporation	Mikio Sasaki President 2-3-1 Marunouchi Chiyoda-ku, Tokyo 100-8086 Telephone: 03-3210-6731 Facsimile: 03-3210-6177 www.mitsubishi.co.jp	Mitsubishi Co., Ltd. was established in 1950, and is a general trading company. It manages 4% for information industry, 22% for fuel, 18% for metal, 23% for machinery, 9% for chemistry, and 24% for life industry. It has been involved in importing cheese since 1957 and distribute their products to a wide variety of wholesalers, institutional users such as hotels and restaurants, retailers and producers. The main cheese imports come from Australia, The Netherlands, Denmark, Germany and Italy.

Company Name	Address	Company Description
Tomen Corporation	Morihiko Tashiro President 2-14-27 Akasaka Minato-ku, Tokyo 107-8677 Telephone: 03-3588-6828 Facsimile: 03-3588-9914 www.tomen.co.jp	Tomen Co., Ltd. was established in 1920, and is a general trading company. It manages 16% for textile, 40% for chemistry and fuel, 8% for metal, 20% for machinery, 5% for construction and wood, and 11% for foods. Tomen supplies imported cheese mainly to the large Japanese dairies. This firm is one of the four official agents for Australian dairy products (the others being Mitsubishi Shoji, Mitsui Bussan, and Toshoku). The highest volume of their cheese imports are from Australia, mainly cheddar and mozzarella. The Canadian cheese is at present about 10% cheaper than Australian. Tomen sells cheese to cake makers and cheese processors.
Ben & Jerry's Homemade, Inc.	Ben & Jerry's Homemade Holdings, Inc. 30 Community Drive South Burlington, Vermont 05403-6828, USA Telephone: 802-846-1500 www.benjerry.com	Ben & Jerry's Homemade, Inc. is one of the top maker of super premium ice cream (matching rival Diageo's Haagen-Dazs). Products such as ice cream and ice-cream novelties, frozen yogurt and sorbet are sold in the US, Canada, Japan and in parts of Europe.
Dreyer's Grand Ice Cream, Inc.	Mr. Koizumi Shokuhin Butsuryu-bu Telephone: 81-3-3588-3478 Facsimile: 81-3-3582-4182	In 1990 Dreyer's Ice Cream went into partnership with trading giant Nissho Iwai. Today Dreyer maintains a presence only in name since Nissho Iwai bought the exclusive rights from Dreyer. Fujisan Shokai acts as Nissho's sole distributor for Dryer who distributes imported ice cream through the supermarket channels.
Dairy Queen Japan Co., Ltd.	5-6-1 Shinjuku Shinjuku-ku, Tokyo Telephone: 03-5362-7373 Facsimile: 03-5362-7372	Dairy Queen International first entered the Japanese market in 1974 and a partnership was formed with Marubeni Trading Company who owns 85%. Dairy Queen's main product is soft ice cream, the mix for which is produced domestically. The recipe and flavouring is, however, imported from Dairy Queen International in the U.S.A.
Häagen Dazs Japan	1-81-1, Shimo Meguro, Meguroku, Tokyo Telephone: 81-3-5434-8300 Facsimile: 81-3-5434-8309	Häagen Dazs has released its latest new food product Häagen-Dazs Summer Cooler. A combination of crushed ice and ice cream. Flavours include: cranberry juice and crushed ice combined with strawberry and cream, ice cream and pineapples, green tea syrup and crushed ice combined with green tea ice cream and azuki beans.

Company Name	Address	Company Description
B-R 31 Ice Cream	Kzuo Mtsuyama President 3-2-1 Kamiosaki Shinagawa-ku, Tokyo Japan 141-0021 Telephone: 81-3-3449-0331 Facsimile: 81-3-3449-0347 www.31ice.co.jp	It is a joint venture between U.S. based Baskin-Robbins and Fujiya in Japan, B-R has become the country's largest ice cream chain by expanding through franchising agreements. Currently, B-R directly manages about 20 stores and has about 300 stores under franchise (these numbers are increasing gradually and the company has begun supplying ice cream to convenience stores). -BR-31 Ice Cream is Japan's largest ice cream chain
Mitsui & Co. Ltd.	Eishi Ueno President 8-2, Nihonbashi-Honcho 2-Chome Chuo-Ku, Tokyo 103-8423 Telephone: 81-3-3663-3111 www.mitsui.co.jp	Mitsui Sugar Co., Ltd. was established in 1947 and is one of Japan's top sugar refiners. Refined sugar, secondary sugar products and artificial sweetener accounted for 95% of fiscal 1999 revenues; shop premises, warehouses and office rental and leasing, 5%. The company has two consolidated subsidiaries, both based in Japan. Mitsui & Co. Ltd. a general trading company, is the major shareholder with 22.28% of issued stock. Land O'Lakes, Inc. (Arden Hills, Minn.) and Mitsui & Co. Ltd. (Tokyo, Japan) announced in October 1999 the establishment of a joint venture focussing on the development of a world-class cheese and whey production facility in California's Central Valley.
Lotte Chilsung Beverage Co., Ltd.	Bu Gon Kim President & Representative Director 1322-1, Socho-Dong Socho-gu Seoul 137-070 Korea (South) Telephone: 82-2-536-0222 http://www.lottechilsung.co.kr	Lotte Chilsung Beverage Co., Ltd. was established in 1967 and is a part of the Lotte group. The company is a leading beverage manufacturer including fruit, vegetable and cereal juice, carbonic acid beverage, traditional drink made by malt and rice and soybean milk in South Korea. Cabonic acid beverage accounted for 45% of 1999 revenues; fruit/vegetable/cereal juices, 38%; traditional drink made by malt and rice, 1%; soybean milk and other drinks, 9% and others such as leasing buildings and sales of imported goods, 7%. Export sales accounted for 0.4% of 1999 revenues.

Source: www.hoovers.com , www.corporateinformation.com, http://just-food.com/email_format_check.asp?subscribe=22059, www.strategis.ic.gc.ca/ and www.gcis.com .

APPENDIX III - TRADE SHOWS

The 26th International FOODEX will be held near Tokyo on March 13-16, 2001 at the Nippon Convention Centre (Makuhari Messe). FOODEX is Japan's premier annual food promotion event and the largest food trade fair in Asia. At Foodex 2000, a record number of 2,379 exhibitors from 57 countries exhibited their products and services to 94,054 industrial professionals representing Japan and Asia's major food and beverage industry players. Exhibitors at the Canadian pavilion reported excellent performance. The Departments of Agriculture and Agri-Food Canada and Foreign Affairs and International Trade will be co-ordinating a national stand at FOODEX 2001 for the 20th year. Exhibits are foods, agricultural products, dairy products, sea foods frozen and chilled foods, retortable pouched foods, confectionery and desserts, dried foods, delicatessen, health foods, seasonings and spices also beverages such as alcoholic beverages, soft drinks, coffee and tea.

FOODEX JAPAN 2001 (The 26th International Food and Beverage Exhibition)

Frequency:	Annually
Date:	March 13-16, 2001
Location:	Nippon Convention Center (Makuhari Messe), Tokyo
Exhibits:	Largest food trade show in the Asia Pacific Rim area. Provides the latest information on food and beverages.
Visitors of Previous Fair:	94,054 (2000) and 2,379 companies
Organizer:	Japan Management Association 3-1-22 Shiba-koen, Minato-ku Tokyo 105-8522, Japan
Telephone:	011-81-3-3434-3453
Facsimile:	011-81-3-3434-8076
E-mail:	http://www.jma.or.jp/FOODEX
Canadian Contact:	Murray Mitchell International Market Development Officer International Markets Bureau Market and Industry Services Branch 10th Floor Sir John Carling Building 930 Carling Avenue Ottawa, Ontario K1A 0C5 (613) 759-7719 (613) 759-7506 mitchellm@em.agr.ca

Jo Anne Roy-Foster
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Agriculture, Food and Fisheries
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Lester B. Pearson Building
125 Sussex Drive
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K1A 0G2
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Facsimile: (613) 944-2397
E-mail: jo-anne.roy-foster@dfait-maeci.gc.ca

The International Food Fair (IFF) is the largest food promotion event in Kyushu. Kyushu is the southernmost of Japan's four main islands, and represents a market of 15 million people. Changes in the distribution system have opened up opportunities to supply Canadian food products directly to Kyushu wholesalers or even some retailers and the food service industry.

INTERNATIONAL FOODS FAIR IN KITAKYUSHU

Frequency:	Every other year
Date:	October 5-9, 2000
Location:	West Japan General Exhibition Center
Exhibits:	All kinds of foods.
Visitors of Previous Fair:	92,775
Organizer:	Nishi-Nippon International Trade Fair Commission 1-1 Jonai, Kokurakita-ku, Kitakyushu-shi, Fukuoka 803-8501
Show Contact:	Mr. Tsuyoshi Nimiya
Telephone:	093-582-4101
Facsimile:	093-582-3865
E-mail:	http://www.kix.or.jp/iff

FOOD-TECH (Japan International Food Engineering & Industry Show)

Frequency:	Every other year
Date:	September 27-30, 2000
Location:	INTEX OSAKA
Exhibits:	Meat/marine products processing systems and equipment, meat processing machines, food packs, distribution system equipment, traditional food processing equipment and materials, systems and equipment for environmental measures.
Visitors of Previous	80,947
Organizer:	Japan Management Association Osaka Kokusai Bldg. 2-3-13 Azuchi-machi Chuo-ku, Osaka 541-0052
Show Contact:	Mr. K. Kaneda
Telephone:	06-6612-1212
Facsimile:	06-6612-8585
E-mail:	http://oitfc.fair.or.jp

INTERNATIONAL FOOD INGREDIENTS AND ADDITIONAL EXHIBITION AND CONFERENCE (IFIA-Japan)

Frequency	Annual
Date:	May 16-18, 2001
Location:	Tokyo Hall International Exhibition Tokyo, Japan
Exhibits:	IFIA is a sector-specific show, targeting food processors and institutional buyers seeking food ingredients and additives. Such as healthy/nutritional, seasoning/extracts flavours, spice and herbs, sweeteners, colors, emulsifiers, hydrocolloids, stabilizers, gelling system, dairy products, preservatives, antioxidants, enzymes, acidulants, starch and derivatives, protein ingredients, laboratory equipment, sanitation materials, research institute/government / association, others.
Visitors of Previous Fair:	19,133
Organizer:	Food Chemical Newspaper Inc. Shobunkan Bldg. 3-2-8 Kandajinboocho, Chiyoda-ku Tokyo, 101-0051
Show Contact:	Mr. J. Sakurai
Telephone:	03-5212-7071
Facsimile:	03-5212-6091
E-mail:	niton@ma.k.com.ne.jp

CHEESE FESTA

Frequency:	Annually
Date:	November 11-12, 2001
Location:	Tokyo, Japan
Exhibits:	still pending
Visitors of Previous:	estimate 12,000 visitors
Show Contact:	The Japan Imported Cheese Promotion Association
Telephone:	03-3288-7258
Facsimile:	03-3264-8423
E-mail:	info@jic.gr.jp

The Cheese Festa has been held annually for the last nine years since 1992, in Tokyo, as a joint promotion by the Japan Cheese Promotion Council and the Japan Imported Promotion Association. It is held in November for two days. "November is the Cheese Month and November 11th is the Cheese Day", based on the cheese history of Japan.

APPENDIX IV - ORGANIZATIONS IN JAPAN

ORGANIZATION	ADDRESS	TELEPHONE	FACSIMILE
Japan Cheese Promotion Council	1-14-19 Kudan-Kita Chiyoda-ku, Tokyo 102-0073	03-3264-4133	03-3264-4139
Japan Imported Cheese Promotion Association	1-14-19 Kudan-Kita Chiyoda-ku, Tokyo 102-0073	03-3288-7258	03-3264-8423
Japan Dairy Council	JA Building 1-8-3 Ohtemachi Chiyodaku, Tokyo 100 Japan http://jdc.lin.go.jp/	03-3245-7621	03-3242-2423
Food Sanitation Division Environmental Health Bureau Ministry of Health and Welfare	1-2-2 Kasumigaseki Chiyoda-ku, Tokyo 100-845	03-3503-1711	03-3503-7964
Standards and Labelling Division Food and Marketing Bureau Ministry of Agriculture Forestry and Fisheries	1-21 Kasumigaseki Chiyoda-ku, Tokyo 100-0013 http://www.maff.go.jp	03-3502-8111	03-3502-0438
Consumer-Related Trade Division Trade Practices Department Fair Trade Commission	1-1-1 Chuo Goudou Chousha Dai-6gou kan B-tou Kasumigaseki, Chiyoda-ku Tokyo, 100-8987 http://www.jftc.admix.go.ip/e-page/f_home.htm	03-3581-5471	03-3581-1948
Japanese Agricultural Standard Association	Aroma Bldg 3-5-2, Kayaba-cho, Chuoku, Tokyo	03-3249-7120	03-3249-9388
Trade Operation Division Food Agency	1-2-1 Kasumigaseki, Chiyoda-ku Tokyo, 100-8951	03-3502-8111	03-3502-8084
Recycling Promotion Division Environmental Protection and Industrial Location Bureau Ministry of International Trade and Industry	1-3-1, Kasumigaseki Chiyoda-ku, Tokyo 100-8901	03-3501-1511	03-3580-6329
Japan Milk Industry Association, JMIA	Nyugyo Kaikan Bldg. 1-14-19 Kudan-Kita, Chiyoda-ku Tokyo, 102-0073	03-3263-3983	03-3264-3376
Nihon Ice Cream Association	Nyugyou Kaikan Building 1-14-9, Kudan Kita Chiyodaku, Tokyo, Japan	03-3264-3104	03-3230-1354

APPENDIX V - CANADIAN CONTACTS

AGRICULTURE AND AGRI-FOOD CANADA

CONTACT NAME	DIRECTORATE	TELEPHONE	FACSIMILE
Assistance to Industry	**Market & Industry Services Branch**		
Pierre Doyle Assistant Director E-Mail: doylep@em.agr.ca	Dairy Section Agricultural Industry Services Directorate	(613) 759-6264	(613) 759-6313
Country Specialists			
Murray Mitchell International Market Development Officer E-Mail: mitchellm@em.agr.ca	Asia Pacific International Markets Bureau	(613) 759-7719	(613) 759-7506
Julie Audet Senior Trade Policy Analyst E-Mail: audetj@em.agr.ca	Eastern Hemisphere Division International Trade Policy Directorate	(613) 759-7654	(613) 759-7503

AGRICULTURE AND AGRI-FOOD CANADA, REGIONAL OFFICES

	Market & Industry Services Branch		
Mike Southwood	Alberta	(403) 495-5528	(403) 495-3324
James G. Hannah	British Columbia	(604) 666-7797	(604) 666-7235
Faye Abizadeh	Manitoba	(204) 983-8622	(204) 983-4583
Bernard Mallet	New Brunswick	(506) 452-3732	(506) 452-3509
Derek Banfield	Newfoundland	(709) 772-5907	(709) 772-4803
Janet Steele	Nova Scotia	(902) 893-0049	(902) 893-6777
Hilton Virtue	Ontario	(519) 837-5860	(519) 837-9782
Rollin Andrew	Prince Edward Island	(902) 566-7315	(902) 566-7316
Richelle Fortin	Montreal	(514) 283-3815 Ext. 557	(514) 496-3966
Roy Gordon	Saskatchewan	(306) 780-7134	(306) 780-7360

CANADIAN FOOD INSPECTION AGENCY (CFIA)

CONTACT NAME	LOCATION	TELEPHONE	FACSIMILE
CFIA - Ottawa			
Jacques Dépault Dairy Export Officer E-Mail: depaultj@em.agr.ca	Ottawa, Ontario	(613) 225-2342	(613) 228-6632
CFIA - Regional Offices			
Jim Muir	Alberta	(403) 292-4108	(403) 292-6629
Ann Filmore	Atlantic	(506) 452-4964	(506) 452-3923
Marie de Montigny	British Columbia	(604) 666-7793	(604) 666-1963
Cathy Sherbo	Manitoba and Saskatchewan	(204) 983-0810	(204) 983-5926
Ralph Plickert	Ontario	(519) 837-9400	(519) 837-9772
Julien St-Pierre	Quebec	(514) 283-3815 extension (354)	(514) 283-6214

CONTACT NAME	LOCATION	TELEPHONE	FACSIMILE
The Embassy of Japan	255 Sussex Drive Ottawa, Ontario K1N 9E6	(613) 241-8541	(613) 241-2232

CONTACT NAME	LOCATION	TELEPHONE	FACSIMILE
Greg Giokas Counsellor (Commercial) Agriculture, Food and Beverages, Consumer Products, Fish and Seafood Products The Canadian Embassy in Japan E-mail: greg.giokas@dfait-maeci.gc.ca	7-3-38 Akasaka Minato-ku, Tokyo 107-8503 Japan	81-3-5412-6263	81-3-5412-6327

CONTACT NAME	LOCATION	TELEPHONE	FACSIMILE
Catherine Morgan Assistant Director Agriculture and Fisheries Department JETRO Toronto	181 University Avenue Suite 1600 Toronto, Ontario M5H 3M7	(416) 861-0000	(416) 861-9666

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World Trade Atlas: www.gtis.com

Central Intelligence Agency (CIA) - The World Factbook 1999
http://www.odci.gov/cia/publications/factbook/country.html

Global Corporate Information Services (GCIS): www.gcis.com/japan

Hoover's online The Business Network: www.hoovers.com/co

Japan Information Network: http://jin.jcic.or.jp/insight/index.html

ExportSource: http://www.exportsource.gc.ca

Export Development Corporation: http://www.edc.ca

InfoExport: http://www.infoexport.gc.ca

JETRO: Practical Information on Doing Business in Japan: http://www.jetro.org/biz5.html

The Canadian Embassy in Japan: http://www.dfait-maeci.gc.ca

Ni-KA Online: http://www.dfait-maeci.gc.ca/ni-ka

Japan Government: http://www.asiadragons.com/japan/government_and_politics/

Agri-Food Trade Service: http://ats.agr.ca

JAPANSCAN Food Industry Bulletin: http://www.japanscan.com/company

Just-Food: http://www.just-foodcom